



BGK
BANK GOSPODARSTWA
KRAJOWEGO

**Report of the Management Board
on the Activities of the Bank
Gospodarstwa Krajowego Group
in 2023**

incorporating the Report of the Management Board
on the Activities of Bank Gospodarstwa Krajowego

**INTEGRATED
REPORT**

The Report of the Management Board on the Activities of the Bank Gospodarstwa Krajowego Group in 2023 (including the Report of the Management Board on the Activities of Bank Gospodarstwa Krajowego) Integrated Report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

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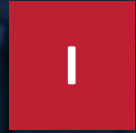
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1. Message from the First Vice-President of the Management Board

GRI 2-22

Dear Stakeholders,

I am pleased to present to you the Integrated Report of Bank Gospodarstwa Krajowego for 2023. This was a time when the role of the development bank and our countercyclical measures were of particular importance.

The world faced many economic challenges such as inflation, rising labour costs, climate challenges, geopolitical tensions and the ongoing war in Ukraine, which has entered its third

year. The key issues for the Polish economy were maintaining GDP growth, improving conditions for investment, developing the advanced technology sector, energy transition and investing in sustainable infrastructure.

Our activities addressed all of those needs. In the business model, we identified the areas of the economy in which our support should be the strongest. These include strategic security, social and territorial cohesion, industrial and entrepreneurship development. You can read about the individual activities carried out as part of our business model programmes further in this report.

Here, I would like to highlight only some of them. Thanks to BGK's financing of sustainable transportation projects, the annual emissions were reduced by more than 40,000 tonnes of CO₂eq. Last year, the capacity of RES installations co-financed by BGK exceeded 1,250 MW. The RES grant from the TERMO programme will contribute to energy efficiency improvement in more than 150,000 dwellings. The buildings in which architectural barriers have been eliminated or reduced thanks to the Accessibility Fund are used by more than 660,000 people. We want to demonstrate effects of our actions and their impact on the economy and society. Therefore, last year we developed and implemented a process to measure these effects. In the report you will find more examples of our achievements.

Last year, we generated a total of PLN 356 billion of support for the economy – that was PLN 21 billion more than a year earlier. Our credit and guarantee exposure at the end of 2023 reached a record high of more than PLN 114 billion, hence 25% of the total value of the loan extended to Polish entrepreneurs in the SME sector represented loans backed by de minimis guarantees.

We have taken important steps in international markets.

For the first time, we issued bonds in the USA and Japan. In both cases, we enjoyed strong investor interest – we raised USD 2.75 billion and JPY 93 billion for the funds that we operate.

Our activity in international capital markets has bolstered confidence among foreign investors. For the issue in the Japanese market we received the Sustainable Finance Award from the Research Institute for Environmental Finance (RIEF). BGK is the first development bank to have

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received this international award. We have also provided support to more Polish companies that are expanding their operations abroad.

I am also pleased that the positive impact on sustainable development has been recognised and confirmed by Sustainable Fitch, which awarded us an ESG rating of 2 (on a scale of 1-5, where 1 is the best rating).

We also promote the concept and awareness of sustainability within the organisation. Common understanding of our mission, vision and goals, combined with the daily tasks of more than 2,300 employees of BGK, places us among the largest development banks in Europe. I greatly appreciate their efforts and I thank them for their commitment to their work!

People are at the heart of each development activity. Economic development is the development of millions of Polish businesses. It would not be possible without social development. In the past year, more than 200 social economy entities benefited from preferential liquidity and investment loans. More than 10,000 people were the beneficiaries of the activities carried out by our employees as volunteer work. More than 3,700 students taking high school graduation exams, eighth graders and teachers benefited from the Matura+ and Matma projects delivered by our Empiricism and Knowledge Foundation. Also, through the Most the Most Foundation, we completed the restoration of five historic buildings, which now have new social functions.

In this context and in the next several years, we identify several important areas where we will contribute to further actions in the area of sustainable development. We will administer a range of loan facilities financed from the National Recovery Plan worth some EUR 30 billion, which will contribute to the green transition of cities, modernisation of the national power system or construction of offshore wind farms. We are closely monitoring the situation across our eastern border. We want to join the development processes in Ukraine and support the activities of Polish companies in that country. We hold the European Commission accreditation enabling us to intermediate in the transfer of funds under the Ukraine Facility. They will be paid to small and medium-sized enterprises and territorial self-governments in Ukraine.

These are just examples of the activities we will focus on. These and other challenges will fit into the key mega-trends that we believe will set directions for both the Polish economy and the global business environment in the coming years.

Sustainability is playing an increasingly important role in national policies and decisions made by corporates. New climate change actions require innovative solutions and ambitious strategies. Trade and geopolitical tensions may lead to further disruptions in supply chains. Demography will have an ever greater impact on labour markets and consumption. Technological development, including in the area of artificial intelligence, biotechnology and renewable energy, will be key to driving innovation and creating new business opportunities. Digitisation and cyber security will play a major role in all sectors, transforming the operation of businesses and the functioning of the society as a whole.

Development banks, including BGK, exist to support us all in adapting to the changing reality and foster cooperation based on partnership, because only together we can achieve the impossible and face challenges.

This year our Bank is celebrating its 100th anniversary. We want to use the available resources, which we have identified as our seven capitals, to build value for our stakeholders, and – as governed by the motto of this anniversary year – to write “the history of the future” together.

I invite you to read the report!

Yours sincerely,

Paweł Nierada

First Vice-President of the Management Board of BGK

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2. Who we are

GRI 2-1

Bank Gospodarstwa Krajowego is the only state development bank. We have supported sustainable socio-economic development of Poland for 100 years. We are one of the five largest development banks in Europe. More than 2,300 employees carry out our mission through various activities in many areas, including:

- we initiate and implement programmes to reinforce economic growth and promote social cohesion in Poland,
- we support the foreign expansion of Polish businesses and we carry out investment activities in Poland and abroad,
- we stimulate social capital development by supporting local and national social commitment efforts,
- we manage EU programmes, distribute EU funds, and act as the operator of flow funds.

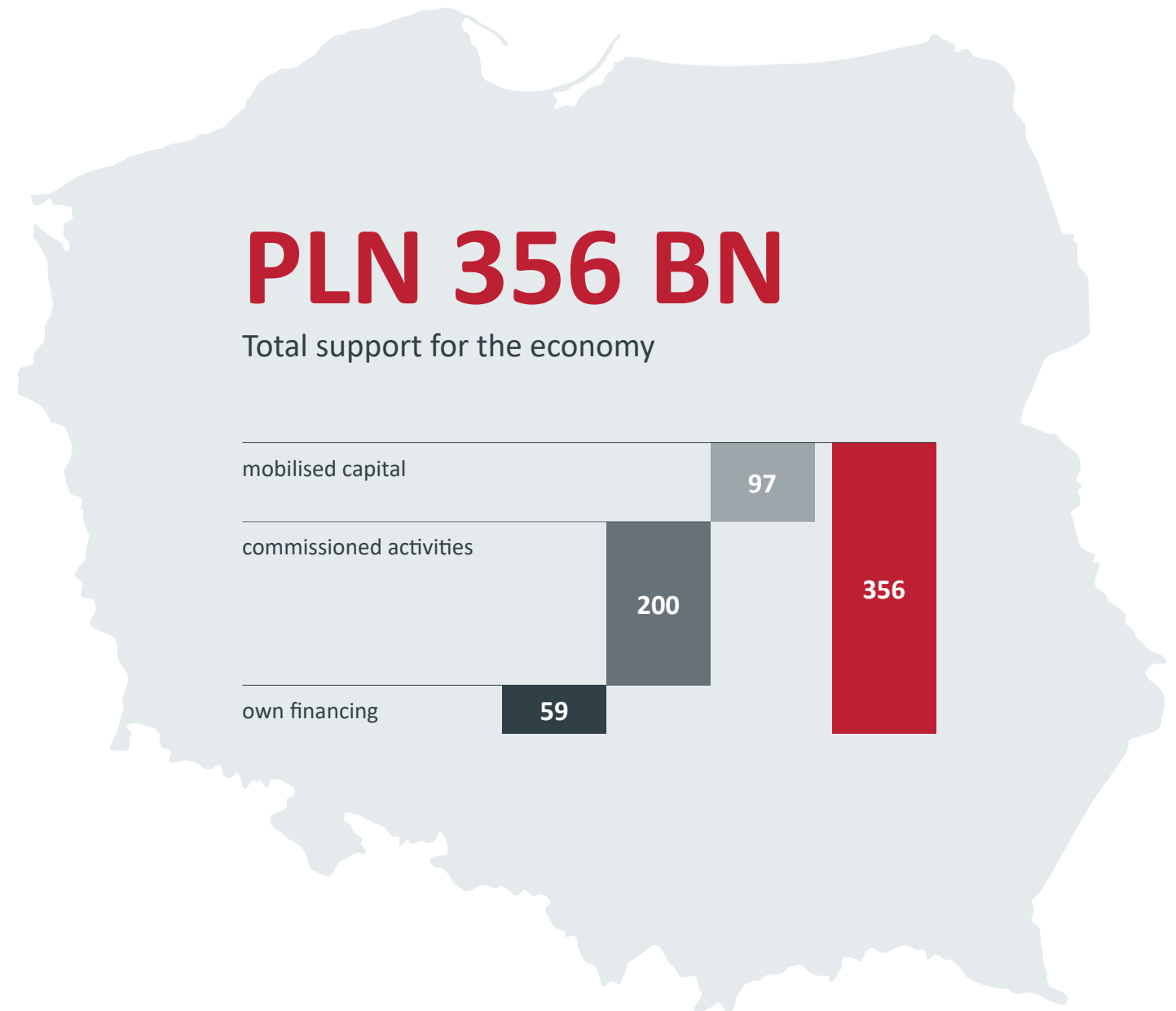
But that is not all. More information on our activities is presented further in this report.

3. Summary of 2023

Generated support for the economy

We generated a total of PLN 356 billion (up 6% year on year) in support for the economy. Our exposure to loans and guarantees in tandem with commissioned activities have mobilised additional capital in the market.

Structure of support for the economy generated in 2023:



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United Nations Sustainable Development Goals (SDGs)

By implementing our strategy, we contributed to the achievement of most of the UN Sustainable Development Goals. **The total support for the economy generated by our financial products in 2023 amounted to PLN 356 billion, 86% of which supported the implementation of as many as 12 of the 17 UN SDGs.** The majority, namely 82%, of the support amount addressed the following four goals:

- 7.** Affordable and clean energy (13%)
- 8.** Decent work and economic growth (31%)
- 9.** Industry, innovation and infrastructure (25%)
- 11.** Sustainable cities and communities (13%)

14% of the generated amount of support for the economy did not contribute to the Sustainable Development Goals. They include the financing of the coal sector, the defence sector and entities that administer public finances. As a development bank, we support Poland's energy security by providing the financial instruments necessary to maintain an uninterrupted supply of energy commodities. We also play a key role in financing the energy transition and building national defence capabilities. In this way, we meet the strategic and basic needs of the state and society, without which sustainable development would not be possible.

Our activities go beyond just financing. With our other activities we contribute to other goals, including: 3. Good health and well-being (e.g. working conditions, the Power Bank well-being programme for employees), 4. Quality education (e.g. educational activities for SMEs carried out with PARP (Polish Agency for Enterprise Development), our cooperation with the Kozminski University in Warsaw), 10. Reduced inequalities (e.g. employee volunteerism, solutions for employees with disabilities and parents of young children), 13. Climate action (e.g. employee volunteerism, including Re:Generation, "Time into the forest").



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BGK's new rating from Moody's

In April, we received an issuer rating of A2 in both foreign and domestic currency, while the Medium-Term Note (MTN) programme has been rated (P)A2. The rating levels are on par with Poland's credit rating (A2), which, according to Moody's, reflects BGK's significant role in the development of the Polish economy.



First listing of notes in the USA

In May, we conducted our first note issue in the US market. Under the MTN programme, we issued ten-year notes worth

USD 1.75 billion,

with the issue proceeds earmarked for the COVID-19 Response Fund.



Accessibility

The year 2023 was the Year of Accessibility at BGK. For the first time in the history of the Bank we organised the Accessibility Day.

Accessibility Fund

We also advanced **PLN 246 million** in loans for ensuring architectural accessibility of buildings from the Accessibility Fund, which is part of the Accessibility Plus government programme.

Record-high exposure to loans and guarantees

Our exposure to loans and guarantees (on-balance-sheet and off-balance-sheet) amounted to

PLN 171 billion

at the end of 2023 and was the highest on record. Compared to 2022, it grew 9.8%.



First listing of notes in Japan

In May, we issued our first Japanese yen-denominated notes guaranteed by the Polish State Treasury and the Japan Bank for International Cooperation (JBIC). The proceeds from the

JPY 93 billion transaction increased the Aid Fund established to provide support to Ukraine. This is BGK's first issue in which payments under notes are guaranteed by two institutions of high reputation and strong creditworthiness (the Polish State Treasury and JBIC).

EU funds

We manage more than

PLN 19 billion

of EU funds earmarked for support instruments, e.g. for entrepreneurship development, investments in energy efficiency and the environment, social issues and agriculture.



IFRS Sustainability Alliance

In June, we joined the global IFRS Sustainability Alliance.



European
Investment Bank



EIF Financial Shareholders Group Annual Meeting

In October, we organized the EIF Shareholders Group Annual meeting, during which we hosted representatives of 28 financial institutions, including the EC and EIB. The meeting provided an overview of EIF's activities, current developments and long-term planning. Sessions on measures promoting green infrastructure and the space economy, thanks to the participation of ESA1, showed interesting prospects for investments in this area.

¹ With ESA's approval, ESA did not receive any financial compensation for this initiative.



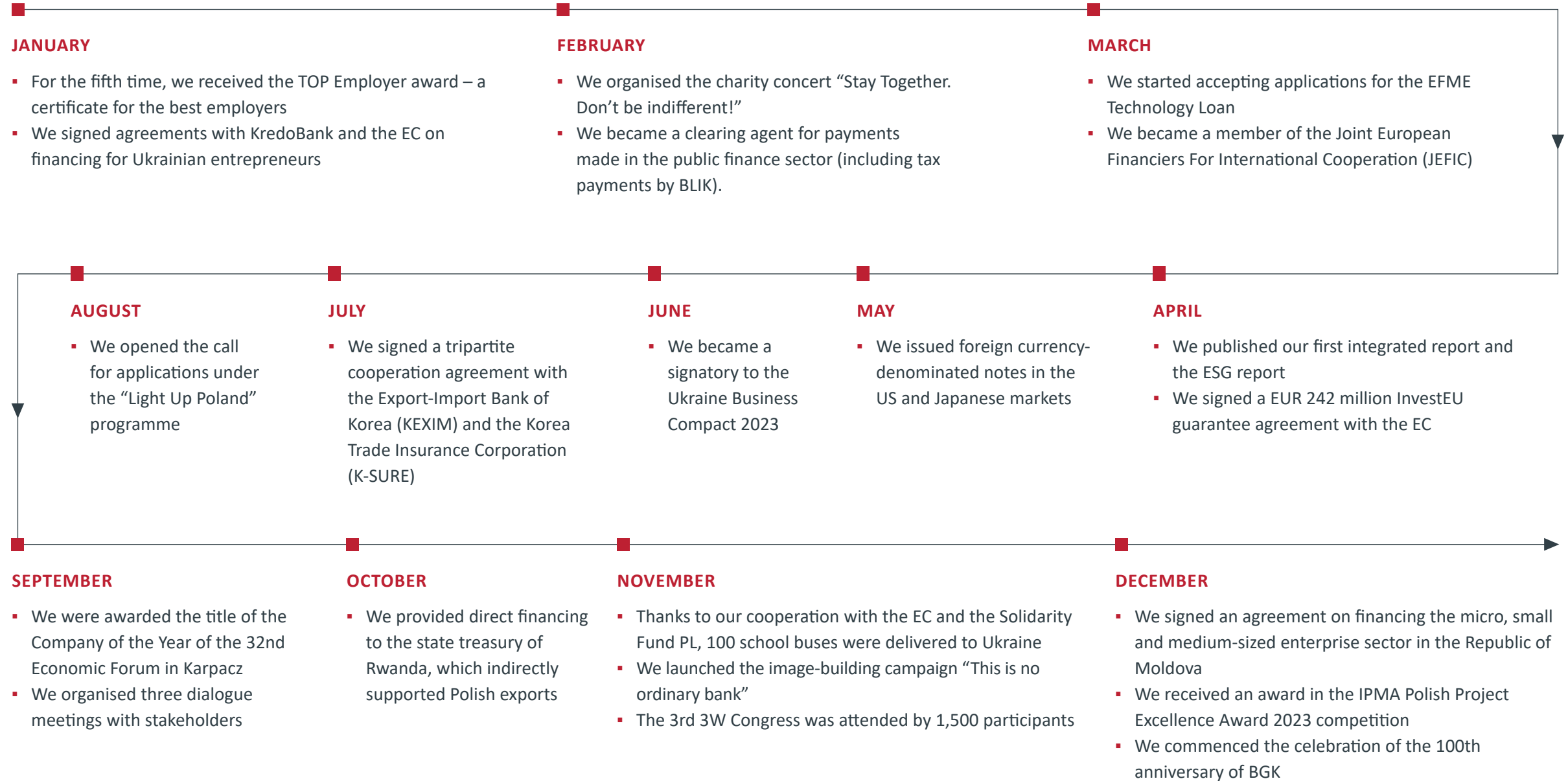
Rating Fitch i ESG rating

In July, we maintained the national long-term rating at AAA(pol) with a stable outlook, and the international long-term rating at A-, also with a stable outlook.



In January 2023, Sustainable Fitch assigned an ESG rating of 2 on a scale from one to five, where one is the best outcome and five is the worst.

4. Key events in 2023



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5. Overview of the BGK Group

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As at 31 December 2023, the Group consisted of the following Polish subsidiaries consolidated with the full method. The Group also includes equity-accounted associates.

Bank Gospodarstwa Krajowego as the only state-owned bank, which is also the Polish development bank and the parent entity of the BGK Group. For a detailed description of activities of these entities, see [Section V.6 Financial performance and structure of the statement of financial position](#) in the part on equity investments. A list of subsidiaries and associates is also included in the consolidated financial statements.

FIGURE 1. Structure of the BGK Group as regards entities consolidated with the full method:

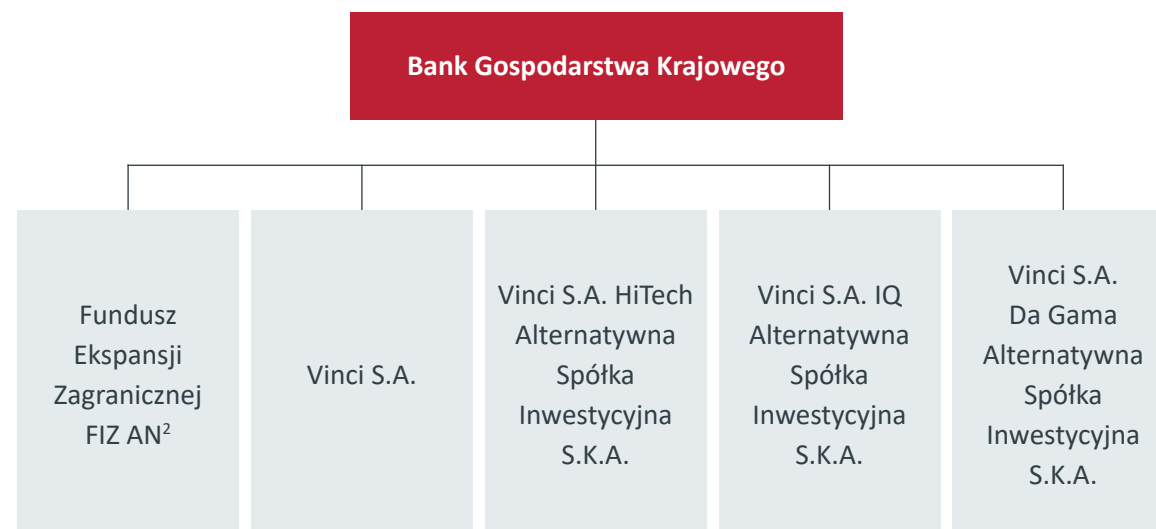
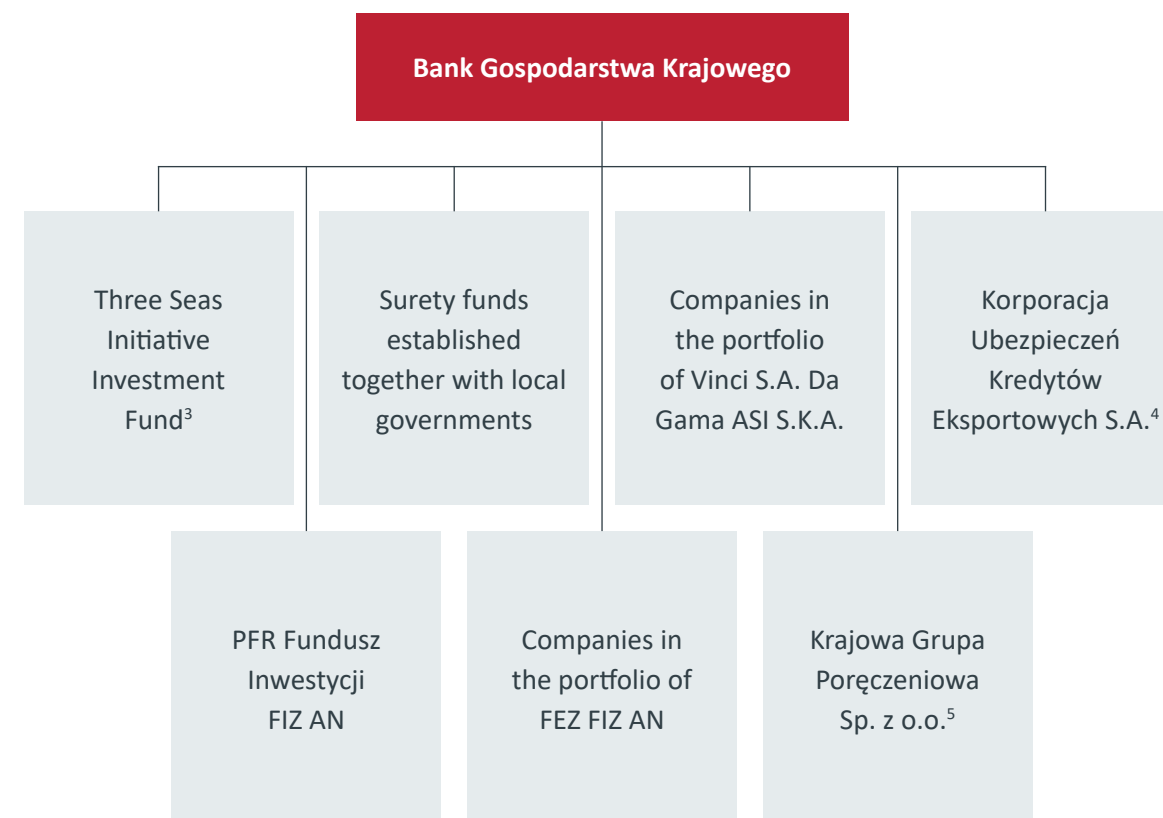


FIGURE 2. Structure of entities consolidated by BGK using the equity method:



² FEZ FIZ AN

³ Three Seas Initiative Investment Fund S.A. SICAV-RAIF

⁴ KUK S.A.

⁵ KGP Sp. z o.o.

The activities of Bank Gospodarstwa Krajowego and the BGK Group entities have a multidimensional development context, producing synergies thanks to activities in several main areas:

- carrying out activities to support the economic growth of Poland by financing infrastructure projects and local government projects and co-financing the foreign expansion of Polish companies and export projects. We offer surety and guarantee schemes stimulating the development of micro, small, medium-sized, and large enterprises,
- mobilising capital in the economy by participating in consortia, development of guarantee and surety programmes, and structuring transactions in the domestic and foreign markets. We finance capital needs by cooperating with development institutions,
- co-creation and implementation of programmes supporting the development of the housing industry, including provision of financing to entities in the social rental housing sector, the rental housing construction sector, in particular to municipal entities, as well as supporting thermal modernisation and refurbishment of residential buildings,
- supplementing the banking system, including filling the market gap in key areas of the economy through programmes activating stagnant sectors and countercyclical initiatives – we finance projects of significant importance to the economy and we support economic growth in areas where the market is inefficient, and we cooperate with other financial institutions on a partnership basis, complementing their offerings,
- consolidating public finances, management of European programmes and distribution of EU funds on a regional and national scale.

We cooperate with ministries and Polish development institutions. We carry out government tasks on the basis of acts and agreements with ministries, including through flow funds established by, entrusted with or transferred to BGK, for which, by virtue of law, we keep separate accounting books and prepare separate financial statements (for further details, see [Appendix 1](#)).

We carry out our activities in a responsible and sustainable manner, while maintaining a reasonable risk appetite. Planned projects are analysed in terms of risk, including the ESG risk. In 2023, the liquidity of BGK was at a safe level and its level of capital adequacy was monitored using capital adequacy ratios determined in line with the Banking Law and the CRR.



6. Financial highlights

KEY FINANCIAL DATA OF THE BGK GROUP FOR 2023

The BGK Group reported a net profit of PLN 3,732 million for 2023, up PLN 1,570 million, or 72.6%, year on year. The main growth driver was a sharp rise in net income from banking activities, in particular net interest income, which rose on the back of high interest rates and higher credit exposure. The year-on-year growth in administrative expenses was significantly lower than the rise in net income from banking activities, which contributed to a record low C/I efficiency ratio of less than 17%.

The balance sheet total of the BGK Group was PLN 222,999 million as at the end of 2023 and was higher by PLN 15,978 million, or 7.7%, year on year. The increase was attributable to the following:

- on the asset side – a PLN 15,025 million growth in debt securities and derivatives (12.0% YoY) and a growth in loans and bonds by PLN 5,881 million (11.6% YoY),
- on the liabilities and equity side – a PLN 7,766 million (5.0% YoY) increase in client deposits and a rise in equity of the BGK Group by PLN 9,424 million (30.7% YoY).

Total capital ratio remained at a high and stable level of 33.3%⁶. The strong capital position of BGK at the end of 2023 allows us to achieve BGK's mission and enables further intensification of activities supporting Poland's economic growth.

⁶ The above ratio is calculated on an individual basis as according to the CRR Bank was not obliged to apply prudential consolidation.

TABLE 1. Key financial parameters of the BGK Group's operations (PLN million)

Profitability	2023	2022	2021	Change 2023/2022
Income from banking activities	5,265	3,704	1,565	42.1%
Administrative expenses	-868	-685	-652	26.7%
Net allowances for expected credit losses	-399	-301	-332	32.6%
Share of profit or loss of associates	705	32	253	2,103.1%
Profit before tax	4,561	2,673	1,094	70.6%
Net profit	3,732	2,162	875	72.6%

Scale of activity	31 Dec 2023	31 Dec 2022	31 Dec 2021	Change 2023/2022
Loans, bonds (municipal and commercial), gross	56,487	50,606	45,886	11.6%
Debt securities and derivatives ⁷	140,682	125,657	81,957	12.0%
Net equity investments	7,581	5,894	6,782	28.6%
Liabilities to customers	161,582	153,816	150,804	5.0%
Total equity	40,112	30,688	24,722	30.7%
Balance sheet total	222,999	207,021	196,644	7.7%

Off-balance-sheet liabilities granted	31 Dec 2023	31 Dec 2022	31 Dec 2021	Change 2023/2022
Credit lines and limits and other liabilities	83,885	77,703	55,294	8.0%
Certificates, future contribution commitment	2,289	3,160	2,463	-27.6%
Guarantee liabilities	31,183	27,938	18,233	11.6%
Total	117,357	108,801	75,990	7.9%

Operating performance	2023	2022	2021	Change 2023/2022
C/I	16.9%	18.9%	35.7%	-2.0 pp
ROE (net profit / average total equity)	10.6%	7.9%	3.3%	2.7 pp
ROA (net profit / average assets)	1.6%	1.0%	0.4%	0.6 pp
Net interest margin (net interest income / average assets)	1.8%	1.4%	0.5%	0.4 pp
Total capital ratio ⁸	33.3%	31.6%	29.5%	1.7 pp

Key financial data of BGK for 2023

In 2023, BGK reported a net profit of PLN 3,150 million, up by PLN 972 million as compared to the preceding year. The increase in net profit was primarily attributable to a sharp rise in net income from banking activities (up PLN 1,400 million, or 37.6%), mainly net interest income (up PLN 1,333 million, i.e. 45.1%) driven by high interest rates and an increase in credit exposure.

The increase in the balance sheet total was attributable to:

- on the asset side: loans granted, bonds (municipal and commercial) – an increase of PLN 5,926 million (11.7% YoY), and debt securities and derivatives – an increase of PLN 15,025 million (12.0% YoY),
- on the liabilities and equity side – a PLN 7,766 million (5.0% YoY) increase in client deposits and a rise in total equity by PLN 8,972 million (29.5% YoY).

In addition, within the framework of providing financial support for the economy BGK increased its off-balance-sheet credit and guarantee exposure by PLN 9,427 million (8.9%), to PLN 115,068 million.

Total capital ratio remained at a high and stable level of 33.3%. The strong capital position of BGK at the end of 2023 allows us to achieve BGK's mission and enables further intensification of activities supporting Poland's economic growth.

⁷ Corporate and municipal bonds recognised under loans and bonds (commercial and municipal)

⁸ Calculation excluding flow funds

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TABLE 2. Key financial parameters of BGK's operations (PLN million)

Profitability	2023	2022	2021	Change 2023/2022
Income from banking activities	5,127	3,727	1,794	37.6%
Administrative expenses	-852	-675	-537	26.2%
Net impairment losses and provisions	-271	-282	-392	-3.9%
Profit before tax	3,862	2,693	842	43.4%
Net profit	3,150	2,178	696	44.6%

Operating performance	2023	2022	2021	Change 2023/2022
C/I	17.0%	18.4%	30.9%	-1.4 pp
ROE (net profit / average total equity)	8.9%	8.0%	2.9%	0.9 pp
ROA (net profit / average assets)	1.5%	1.1%	0.4%	0.4 pp
Net interest margin (net interest income / average assets)	2.0%	1.6%	0.5%	0.4 pp
Total capital ratio ¹⁰	33.3%	31.6%	29.5%	1.7 pp

Scale of activity	31 Dec 2023	31 Dec 2022	31 Dec 2021	Change 2023/2022
Loans, bonds (municipal and commercial), gross	56,377	50,451	45,830	11.7%
Debt securities and derivatives ⁹	140,630	125,605	81,939	12.0%
Net equity investments	7,066	5,755	6,589	22.8%
Liabilities to customers	161,631	153,830	150,811	5.1%
Total equity	39,420	30,448	24,514	29.5%
Balance sheet total	222,354	206,793	196,442	7.5%

Off-balance-sheet liabilities granted	31 Dec 2023	31 Dec 2022	31 Dec 2021	Change 2023/2022
Credit lines and limits and other liabilities	83,885	77,703	55,294	8.0%
Certificates, future contribution commitment	2,289	3,160	2,530	-27.6%
Guarantee liabilities	31,183	27,938	18,233	11.6%
Total	117,357	108,801	76,057	7.9%

⁹ Corporate and municipal bonds recognised under loans and bonds (commercial and municipal)

¹⁰ Calculation excluding flow funds

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1. Strategy – what makes us stand out

Bank Gospodarstwa Krajowego is celebrating its 100th anniversary in 2024. Since its inception, BGK’s unwavering mission has been to support the socio-economic development of Poland. We are the only development bank in Poland. We care for future generations by building social capital, fostering entrepreneurship and offering responsible finance. We activate the private and public sectors to increase the development potential of Poland. We take countercyclical measures, fill market gaps and cooperate with the financial sector. Among other things, our activities help create jobs, build housing, develop infrastructure and improve air quality.

BGK’s strategy for 2021–2025 is our response to Poland’s current socio-economic challenges. It takes into account BGK’s place and role in the system of development institutions. In the strategy we consider economic challenges and cycles, as well as current social needs. The Bank’s mission has been supplemented with the idea of sustainable development as a key pillar in achieving our goals.

BGK’s strategy defines five strategic pillars (three business and two internal):

- sustainable development,
- social commitment,
- international business and cooperation,
- digital and process transformation,
- effective management model.

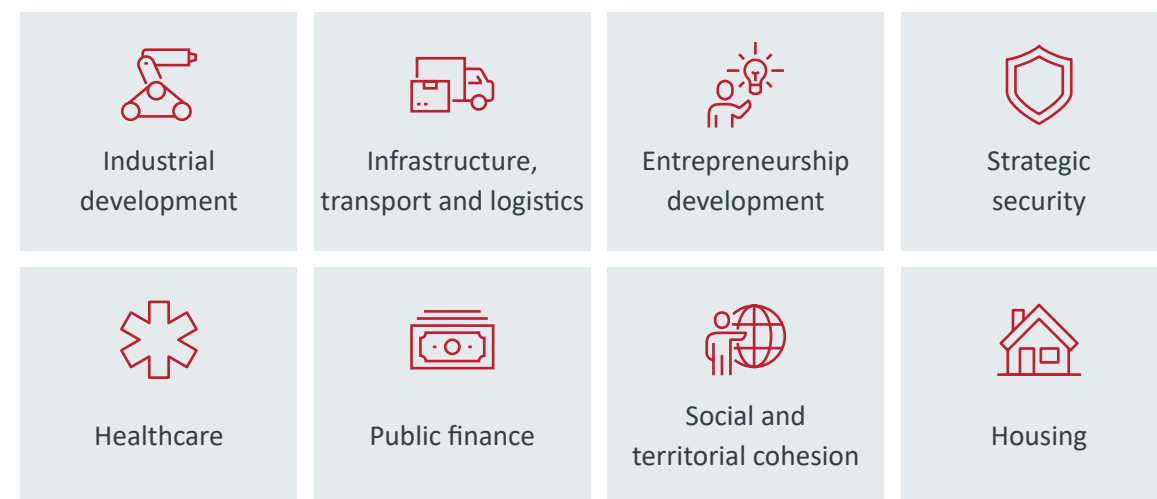
While fulfilling the five-year strategic objectives, we constantly monitor the economic environment and support and stabilise the market, actively responding to the four external factors defined in the strategy:

- sustainable economic development – to take countercyclical measures,
- low-carbon economy – to make our economy grow in a sustainable way,
- territorial cohesion – to promote the economic integrity of all regions of the country,
- use of EU funds – to keep an appropriate level of investment in the economy.

The objectives of the Bank’s activities each year result from strategic assumptions and are cascaded down to organisational units and employees. The business foundation for the implementation of strategic objectives are the business model programmes, through which we fulfil the mission and vision in relation to the needs of the economy.

2. Business model programmes as a response to market needs

The business model is our way of interacting with the market and responding to its identified needs. We implement it primarily through programmes. In 2023, as in the previous year, there were eight of them:



Thanks to our own activities (loan and guarantee financing provided), commissioned activities and mobilised capital, the Polish economy was supported with PLN 356 billion. This was made possible, among other things, thanks to launching nine new products and making changes to 13 existing ones.

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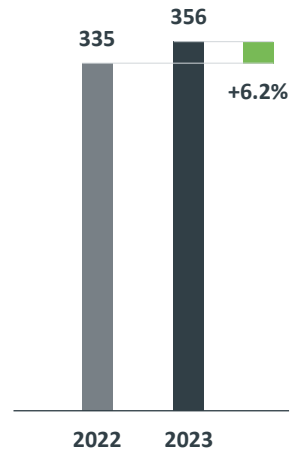
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Own indicator 1, 2, 4, 5

TABLE 3. Support for the economy by business model programmes (PLN billion)

Business model programmes	Support for the economy	%
Entrepreneurship development (SMEs)	106	30%
Strategic security	54	15%
Public finance	51	14%
Social and territorial cohesion	50	14%
Infrastructure, transport and logistics	45	13%
Industrial development	41	12%
Housing	8	2%
Healthcare	1	0%
Total	356	100%



Programme priorities

As a result of the analysis of needs and market conditions, we have identified the key priorities as part of programme objectives for 2024:

- Stimulation of investment in the business enterprise sector by providing access to business development support instruments. Reduction of disparities in enterprise development through financing and educational offer as part of digital and green transformation.
- Improvement of national security.
- Development of new RES capacity and low-carbon conventional capacity (direct financing or indirect measures, such as CPPA guarantees). Efficient use of the power grid.
- Increasing the use of modern technologies:
 - robotisation, digitisation and automation, expanding the e-health project,
 - investments and modernisation projects in medical entities,
 - “Green Hospital of the Future – ESG sustainable healthcare”¹¹.



- Seeking various sources of financing for the funds (issues of bonds in Poland and in foreign markets, loans from the European Investment Bank, loans and credit facilities incurred by BGK for the funds, appropriations from the state budget) to maintain high cost efficiency.

For a description of prospects of business model programmes, see [Section VIII Business prospects](#).

Measuring and reporting impact

In 2023, we began measuring the non-financial effects of transactions concluded under our business model programmes, thereby launching a process of measurement of and reporting on the sustainability impact of our financing. The measured effects address the market challenges we have identified and the resulting goals. The methodology for collecting and presenting data is based on the following principles:

- Data is collected and reported upon transaction conclusion based on the assumptions of the financing provided.
- Regardless of the extent of our involvement in the project, we present the entire effect achieved with our participation.
- We apply the above principles to both own financing and commissioned activities.

¹¹ The Green Hospital of the future comprises initiatives to identify how healthcare affects the environment and what actions can be taken to minimise the impact of the sector.

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Industrial development

GRI 3-3 Topic: Industrial development

Own indicator 5

SDG 8, SDG 9

The ambition of the programme is to increase the competitiveness of Polish industry (low-carbon economy, increasing productivity, Industry 4.0, circular economy, security of Poland).

Key activities under the programme in 2023:

- We launched a financing solution supporting sustainable investments.
- We became a partner in the Factory of the Future competition organised by the Polish Future Industry Foundation and participated in the selection of its winners.
- We prepared and published a report on the readiness of Polish businesses to develop the offshore wind energy industry.
- We supported the modernisation of the Polish Armed Forces both in the purchase of military equipment and in the development of capacity of the national defence sector.

Support for the economy under the programme in 2023 amounted to **PLN 40.6 billion**.



Infrastructure, transport and logistics

SDG 9

The programme ambition is to develop an integrated and sustainable transport system in Poland.

Key activities under the programme in 2023:

- We established a new flow fund – the Government Road Development Fund.
- We implemented a new procedure for financing large construction companies with guarantee facilities and package financing for smaller regional companies.
- We analysed the impact of the political and economic situation in Ukraine on various sectors

of the Polish economy, mainly on the market for transport services (including intermodal), under the Infrastructure, Transport and Logistics programme.

- We have begun to identify the most significant gaps and investment needs of the storage, intermodal and logistics industries.
- We signed further agreements for financing projects in the area of alternative fuel infrastructure under the Connecting Europe Facility (CEF2).
- We conducted a range of educational activities on zero-emission transportation addressed to Polish local government officials, representatives of municipal companies and the private sector and we promoted our financial support instruments for alternative fuel infrastructure projects.

Support for the economy under the programme in 2023 amounted to **PLN 45.3 billion**.

The transportation industry is a significant contributor to carbon dioxide emissions. In 2021, the share of transportation in CO₂ emissions was 29.2% in the European Union and 20.8% in Poland (70.4 million t CO₂eq)¹².



40,377 t CO₂eq

annual decline in CO₂eq emissions from transportation thanks to BGK's project financing agreements.



¹² Source: Office of Rail Transport (UTK) <https://dane.utk.gov.pl/sts/eko-kolej/emisja-dwutlenku-wegla-co2/21000,Emisja-dwutlenku-wegla-CO2.html> European Environment Agency, Statistical Pocketbook 2022.



Entrepreneurship development

SDG 8

The ambition of the programme is to provide enterprises with comprehensive financing options aimed at meeting the development and liquidity needs.

Key activities under the programme in 2023:

- We launched guarantees for leases under the National Guarantee Fund and extended the special terms of de minimis guarantees until the end of 2023.
- We held competitions of applications for technology and environmental loans under the European Funds for a Modern Economy (EFME) and signed co-financing agreements or qualified projects.
- We have extended the offer of de minimis guarantees and new guarantee products (Biznesmax Plus, Ekomax, FGR Plus) and EFME equity products based on EU funds, and we prepared guarantees with InvestEU counter-guarantee (agreement with the European Investment Fund) for implementation.
- We signed agreements on the provision of funds for the implementation of finance facilities in the EU financial framework 2021-2027 (regional programmes) and for the implementation of the “Loan for development of tourism” project. We have begun the procedure for selecting financing partners for the launch of finance facilities aimed at supporting SMEs, business digitisation and RES development.
- We have developed the offer of products involving risk sharing in working capital and investment facilities designed to provide financing to businesses through factors and lessors.
- We have made available e-learning courses on ESG and digital transformation for SMEs through the Akademia PARP platform.

Support for the economy under the programme in 2023 amounted to **PLN 105.9 billion**.



SMEs struggle to obtain financing due to lack of credit history or insufficient collateral. Guarantees and sureties can improve their creditworthiness, allowing them to access higher loans.



92,372

business entities used BGK's portfolio guarantee facilities in 2023. One in four zlotys of the total loan to SMEs is covered by collateral in the form of a de minimis guarantee.



Strategic security

GRI 3-3 Topic: Security

Own indicator 1

SDG 7, SDG 8, SDG 9

The ambition of the programme is to increase the potential of the energy sector and its transformation to support the sustainable socio-economic development of Poland.

Key activities under the programme in 2023:

- We co-financed the construction of new renewable energy generation capacity.
- We have implemented risk sharing and financing solutions for the construction of strategic energy assets.

- We provided financing solutions to entities involved in ensuring the security of supply of energy commodities (securing access to transport infrastructure as well as financing and securing the performance of import contracts).
- We provided instruments to secure uninterrupted heat supply and worked with the Ministry of Climate and Environment on solutions to support the transformation of the heat generation sector.

Support for the economy under the programme in 2023 amounted to **PLN 54.0 billion**.



Healthcare

■ GRI 3-3 Topic: Good health and well-being ■ Own indicator 4 ■ SDG 3

The ambition of the programme is to improve the healthcare system.

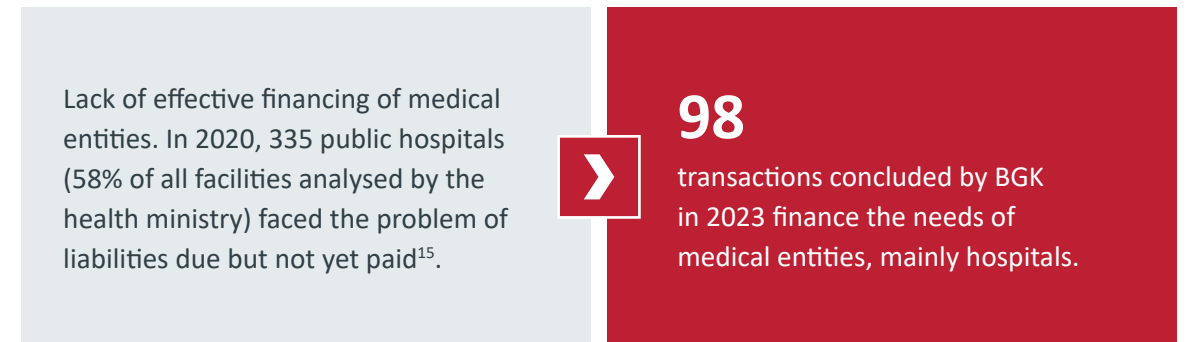
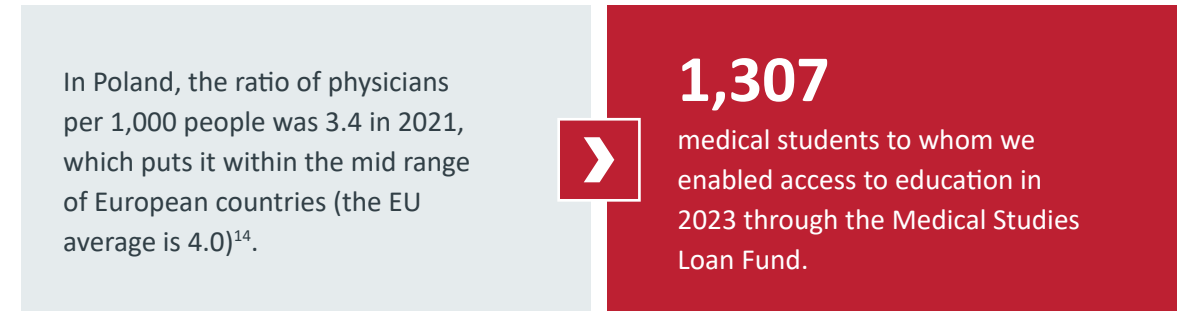
Key activities under the programme in 2023:

- We started talks with the Ministry of Health on how to finance capital expenditures with funds from the National Recovery Plan (the issue of financing value-added tax).

¹³ Source: <https://www.forum-energii.eu/zrozumiec-cele-oze>

- We have devised a preliminary strategy on identifying the needs in the pharmaceutical market from the perspective of patients. We also determined the financing needs of pharmaceutical companies.
- We have made changes to the loan for students of medical programmes.
- We carried out educational and informational activities related to:
 - best practices in healthcare,
 - recovery programmes, liquidity gap and investment needs,
 - financing of investment and modernisation projects.
- We held consultations on the financing of restructuring of hospitals.

Support for the economy under the programme in 2023 amounted to **PLN 1.1 billion**.



¹⁴ Source: OECD Health Statistics 2023, <https://data.oecd.org/healthres/doctors.htm>.

¹⁵ Source: Ministry of Health, Objectives of the reform of medical facilities providing medical services in the form of hospital services, Warsaw 2020.



Public finance

The ambition of the programme is the provision of effective banking services to public sector entities.

Key activities under the programme in 2023:

- We launched payments from EU funds and state aid as part of the financial framework 2021-2027.
- We made available the functionality of BLIK payments for income tax in the e-Urząd Skarbowy service and local taxes in the mObywatel 2.0 application (e.g. in Bydgoszcz, Sopot and Dąbrowa Górnicza). We act as a clearing agent for these solutions.
- We have launched loans from the Strategic Plan of the Common Agricultural Policy under the financial framework 2021-2027.

Support for the economy under the programme in 2023 amounted to **PLN 49.5 billion**.

EU funds and national co-financing play a key role in the transformation processes in Poland. An important element is the effective management of these funds.



18,700

unique entities received transfers from EU funds and the state budget in 2023.



Social and territorial cohesion

GRI 3-3 Topic: Development of local communities

Own indicator 2

SDG 8, SDG 10, SDG 11

The ambition of the programme is to promote equal opportunities in disadvantaged groups and areas, foster urban development and support the implementation of own tasks by local governments.

Key activities under the programme in 2023:

- We signed an agreement on four new social instruments under the EU's financial framework 2021-2027 with the Ministry of Funds and Regional Policy.
- We launched a preferential guarantee facility for social economy entities so that they can more actively participate in the performance of public and private sector contracts.
- We stepped up lending activities to local government units to better match financing to their needs and capabilities.
- Together with the Ministry of Funds and Regional Policy, we improved the terms of support for the elimination of architectural barriers in residential and public buildings.
- We completed the implementation of all regeneration instruments financed from the regional operational programmes of the previous EU financial framework.

Support for the economy under the programme in 2023 amounted to **PLN 50.8 billion**.

There are about 10 million people with mobility impairment in Poland, and only less than 30% of public entities are seated in barrier-free buildings¹⁶.



664,161

estimated annual number of people using buildings where architectural barriers have been eliminated or reduced thanks to support from BGK.

Social economy entities are an important element of social and territorial cohesion. They have limited access to financing. The gap is estimated at PLN 1.18 billion¹⁷.



205

social economy entities used preferential financing in 2023.

¹⁶ Source: <https://www.gov.pl/web/fundusze-regiony/raport-o-dostepnosci-podmiotow-publicznych>.

¹⁷ Source: report of the Ministry of Funds and Regional Policy of 2020, https://www.funduszeuropejskie.gov.pl/media/91152/PES_IF_Raport_9_kwietnia_2020.pdf.



Housing

GRI 3-3 Topic: Development of local communities

Own indicator 3

SDG 11, SDG 13

The programme ambition is to increase housing supply for people of low or middle income and improve the technical condition of dwelling stocks, including the energy efficiency of buildings.

Key activities under the programme in 2023:

- We have begun operating two government programmes: 2% Safe Mortgage and Home Savings Account. We also continued to offer the guarantee for own contribution to a family housing loan.
- We continued to implement the social rental housing (SRH) support programme.
- We processed requests from borrowers to temporarily suspend loan repayments (credit holidays) and we also implemented statutory provisions to freeze the interest rate on loans in the SRH programme at 2% per annum for five years.
- We have implemented new instruments funded under the National Recovery and Resilience Plan. EU funds under two investment projects are earmarked for energy efficiency improvements, replacement of heat generators, and energy-efficient housing.
- We continued to operate the non-repayable support programme for social and municipal housing. In the TERMO programme, we modified existing subsidies by changing the parameters of the thermomodernisation bonus and the renovation bonus, and we implemented the MHS bonus for improving the technical condition of the dwelling stock owned by municipalities.
- From the Borrower Support Fund, we paid support to obligors under housing loans who found themselves in a difficult financial situation.

Support for the economy under the programme in 2023 amounted to **PLN 8.4 billion**.

There is a shortage of about 126,400 dwellings for the poorest and those at risk of social exclusion¹⁸.



9,230

municipal, social and moderate-rent dwellings will be completed thanks to financing with BGK's participation launched in 2023.

It is estimated that up to 85% of dwellings owned by a municipality may need renovation¹⁹. 39.3% of multi-apartment buildings require thermo-modernisation (about 210,000 buildings)²⁰.



21,064

dwellings improved their energy performance thanks to the financing of thermo-modernisation or renovation projects from the TERMO 2023 programme.

The real average cost of electricity in households increased by almost 30% in the first half of 2023²¹.



153,801

apartments are located in buildings where RES installations co-financed by a grant under the TERMO programme will be fitted in 2023.

For more information on our housing activities, see [Section V.2.1 Housing development](#).

¹⁸ Source: Statistics Poland, number of households awaiting the rental of premises from a municipality, data for 2022.

¹⁹ Source: Survey of the Ministry of Investment and Development on renovation and thermal modernisation needs in the dwelling stocks of municipal governments, data for 2019.

²⁰ Source: Ministry of Development and Technology, Long-term strategy for building renovation, in: Development of methodology and realisation of a survey of a thermo-modernisation activity scale in multi-dwelling residential buildings in order to improve their energy consumption and estimation of needs and plans in this area, Statistics Poland 2019.

²¹ Source: <https://wysokienapiecie.pl/93289-pomimo-zamrozenia-ceny-pradu-wzrosly-najmocniej-od-30-lat/>.

3. Value creation model

Using the available resources, we create value for our stakeholders.

CAPITAL



OUTCOMES

- PLN 356 billion of generated new support for the economy thanks to own financing granted, commissioned activities and mobilised capital, of which PLN 59 billion was awarded under the de minimis guarantee programme
- we obtained a **second credit rating**, thanks to which we diversified our sources of financing by carrying out issues of notes in the US and Japan
- guarantees provided from the National Guarantee Fund and the Crisis Guarantee Fund enabled the provision of **PLN 81.5 billion** in loans
- 205** social economy entities as beneficiaries of our support
- 10,000** beneficiaries of the “Voluntary service is great!” programme
- we took the 3rd place in the **Polish Top Employer** ranking, the highest among banks
- our project “Sustainable development” won the 1st place in the **IPMA Polish Project Excellence Award 2023** in the organisational projects category

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4. Capitals used by BGK



Institutional capital

Resources

Institutional capital guarantees our stability and defines our activities.

- A 100-year legacy and mission of a development bank
- Mandate from the government and activities regulated by the Act on BGK
- Successful completion of EC pillar assessment for an implementing partner of EU funds

Capital management

We fulfil BGK's mission in cooperation with numerous Polish and international partners, with the support of the State Treasury.

Outcomes

The institutional capital, as a complementation of other capitals employed by the Bank, supports socio-economic development of Poland.

- 20 flow funds operated by the Bank
- PLN 213.9 billion in bonds issued for the benefit of flow funds
- Resources from international financial institutions and EUR funds for entities found in the financial gap
- Network of more than 100 cooperating institutions (banks and non-banking financial institutions)

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals



Human capital – strengthening employees' sense of security and having a prestigious employer.



Intellectual capital – collaboration with many national and international institutions.



Financial capital – contribution through resources obtained from EU funds and under programmes run by the Polish government and international financial institutions.



Social and infrastructural capital – financing and supporting sustainable socio-economic development of the country.

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Financial capital

Resources

A pool of funds available to BGK from external financing, equity, grants or generated from investments and from operating activities.

- PLN 161.6 billion in deposits at the end of 2023
- PLN 39.4 billion of own funds and issued own bonds with a total nominal value of PLN 1.8 billion, and in 2023 we issued PLN 40.4 billion for flow funds
- PLN 34.4 billion of received guarantees and credit facilities

Capital management

When managing the financial capital we seek to maximise the efficiency of its use, taking utmost care to safeguard the funds entrusted to us. Our activities in this area are aimed at creating value for stakeholders, while considering the pre-defined risk appetite. Based on our strategy and business model programmes, we manage the financial capital in such a way as to support our other capitals.

Outcomes

Our special role and mission as a development bank, mandate from the government and public trust help gain financial capital. Thanks to the funds we support the economic growth of Poland and respond quickly to the changing economic and social needs.

- PLN 259 billion in financing awarded in 2023 as part of own (PLN 59 billion) and commissioned activities (PLN 200 billion), including activities attributable to flow funds
- PLN 9.5 billion of interest expenses
- PLN 692.7 million of the Bank's Total Tax Contribution in Poland
- The highest result in the Bank's history, although profit maximisation is not our objective
- Credit ratings assigned by external agencies are equal to Poland's
- High total capital ratio, offering potential for further financing of Poland's economy

Interaction with stakeholders



+

-

Society



+

+

+

Partners and clients



+

+

+

Employees

Interaction with other capitals

+

Human capital – inter alia through payment of salaries and other employee benefits, as well as contribution to creating and maintaining jobs at our business partners.

+

Intellectual and human capital – inter alia through spending on training, educational initiatives and building organisational culture.

+ -

Natural capital – positive impact thanks to funding granted from the Ecological Surety and Guarantee Fund and the Thermo-modernisation and Renovation Fund, as well as in the form of loans for projects with environmental objectives. Negative impact resulting from, among other things, financing provided to the fuel and coal sectors.

+

Social capital – financing of projects with social objectives (including funding of social economy entities), support of foundations set up by the Bank and other donations.

+

Infrastructure capital – financing of infrastructure projects, development of the Bank's IT infrastructure and refurbishment of its historic registered office.

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Human capital

Resources

Competencies and experience of employees and their approach to the organisation and risk management, ethical values, loyalty and drive for improving processes and services.

- 2,320 employees as at the end of 2023
- PLN 14 million invested in training – an average of PLN 6,000 per employee
- 425 employees completed the developing competencies of the future programme from September 2022 to the end of 2023

Capital management

We make efforts not only to enhance the competences of our employees, but also to care for their wellbeing and ensure effective cooperation. We build BGK's organisational culture based on our values of openness, teamwork and responsibility, in line with our mission to support sustainable social and economic development. Our internship and scholarship programmes help popularise competences of key importance for the successful future of the society.

Outcomes

We build human capital by developing competences and sharing knowledge, e.g. as part of the BGK Summer Academy. The effectiveness of our actions is confirmed by top places in the rankings of employers.

- Top places in many employer rankings, including TOP Employer 2023 and Top Quality HR 2023 awards
- Ten years is the average period of employment at the Bank in managerial positions
- 51 internal promotions to managerial positions

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals



Financial capital – coverage of the cost of salaries, training and employee benefits.



Intellectual capital – staff training courses and competence development, sharing knowledge and experience through participation in conferences and membership in organisations.



Natural capital – internal campaigns to raise environmental and sustainable development awareness in employees.



Social and relational capital – volunteer work programmes (“Voluntary service is great!”).



Intellectual capital

Resources

Our intellectual property, licences, data security management, and organisational capital, e.g. hidden knowledge, systems, procedures and protocols.

- Unique knowledge of BGK employees
- Process and digital transformation
- Knowledge-sharing: 3W Congress, BGK Summer Academy, Bank Horizons, Internship Bank development programme, online courses for entrepreneurs implemented in cooperation with PARP, #CyberAkademiaBGK, Sustainability Ambassador Programme

Capital management

We create products and services with social needs in mind. We employ unique competencies and expertise to pursue our mission of a development bank, distribute EU funds and manage special-purpose funds. We grow our intellectual capital by investing in technologies to deliver products and services seamlessly.

Outcomes

We expand our offering to meet current socio-economic needs of the country. We conduct customer experience and satisfaction surveys. We pursue cyber security policies and promote the principles of safe use of the internet. We support innovation, combining competences and needs of the science, business and administration world to be able to implement projects as part of the 3W initiative and other tasks.

- 135 completed internal projects covered by ESG scoring
- 68 process optimisations implemented
- 1,500 participants in the 3W Congress, 70 participants in the BGK Summer Academy, 60 participants in the Bank Horizons programme, 1,400 participants in training offered by PARP
- 1,307 medical students received support from the Medical Studies Loan Fund
- 383 managers attended a digital competence conference

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals



Social and relational capital – creation of new products and services that meet the needs of our stakeholders and business partners and solutions addressing social needs.



Human capital – enhancing competencies and skills of employees and other stakeholders.



Natural capital – positive impact due to development of solutions serving the environment.



Financial capital – expenditure on systems, IT software and costs related to digital and process transformation.



Institutional capital – use of unique competencies and knowledge to pursue the special mission of a development bank.

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Social and relational capital

Resources

Common standards, values and conduct, relations with key stakeholders, trust and willingness to make a commitment. Intangible assets related to the brand and reputation developed by the organisation.

- 10,100 BGK's partners
- 83,000 entrepreneurs benefited from de minimis guarantees
- 677 employees engaged in voluntary work
- PLN 102.5 million donations made to BGK's foundations

Capital management

We invest in social capital which contributes to economic growth. We finance social projects, such as activities of social economy entities and investment projects eliminating architectural barriers in buildings and public spaces. We activate local communities, educate children and the youth, renovate historical monuments. We make effort to nurture relationships with our stakeholders.

Outcomes

We have a direct impact on our stakeholders, but also an indirect impact on the entire environment, e.g. families of our employees, potential employees, people under the care of social organisations with which we cooperate.

- 98 financings provided to medical entities, mostly hospitals
- 201 local government units received financing from the Bank
- 2,900 local government units and their associations received funding commitments under the Government Strategic Investment Programme and/or the Government Programme for Restoration of Monuments
- More than 664,000 people per year will use the facilities where architectural barriers have been eliminated or reduced thanks to our funding
- 570 completed projects/subsidised initiatives by the J.K. Steczkowski BGK Foundation

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals

- Financial capital – financing granted and deposit received, as well as expenditure on maintaining relationships with stakeholders.
- Intellectual capital – increasing social cohesion, promoting knowledge and exchanging experiences, financing provided (e.g. loans for medical studies).
- Natural capital – activities that improve ecological awareness, e.g. the Re:Generation project implemented in the form of voluntary work.
- Human capital – increasing employee commitment and granting financing focused on social objectives.

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Infrastructure capital

Resources

Physical facilities used by the organisation to design and deliver products and services (offices, branches, facilities), also technical infrastructure and IT systems of the Bank.

- Offices in 16 regions, historical registered office of the Bank undergoing refurbishment and temporary BREEAM Interim-certified office
- Upgrade and development of IT systems as part of digital transformation
- Process robotisation

Capital management

We are working on digitising processes as part of digital transformation. We enhance operational and business efficiency through robotisation. We modernise workstations and optimise the use of office space.

Outcomes

With the processes and technical infrastructure being developed we address challenges and respond to the specific needs of stakeholders. We refurbish our establishments so that they are fully accessible to people with disabilities.

- The role of a clearing agent for payments made in the public finance sector (BLIK payments)
- Deployment of 15 robots in 2023 (20 robots in total deployed at the Bank since 2022)
- Technical debt cut by 4.5 p.p. and 21% more completed projects and system changes YoY
- Uptime of banking systems at 99.93%

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals



Human capital – digital transformation and process digitalisation.



Intellectual capital – by streamlining processes and their robotisation.



Social capital – our presence in every province capital, among other things. This allows us to use the knowledge of local communities and challenges and respond flexibly to relevant needs.



Natural capital – environmentally friendly solutions used by the manager of our temporary office.



Financial capital – expenditure related to the development of infrastructure.

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Natural capital

Resources

All renewable and non-renewable natural resources used by the Bank or on which the Bank has an influence (water, air, solar energy, wind, minerals, biodiversity and health of ecosystems, etc.).

- 2nd edition of the Re:Generation programme implemented in the form of volunteer work

Capital management

The Bank does not make significant use of natural capital in its operations. We manage the capital mostly by financing environmental projects (e.g. thermomodernisation and refurbishment bonus, financing of RES). In addition, within our organisation we monitor and reduce the consumption of water, energy, fuels and office supplies. We raise ecological awareness of employees by engaging them in voluntary work aimed at protecting nature as well as in other environmental projects.

Outcomes

We have both a positive and a negative impact on the environment, e.g. through financing that supports sustainable investment projects and through financing granted in the Strategic Security business model, whose objectives include ensuring stable energy supplies in Poland.

- More than 23 ha of area covered by active conservation measures in the Biała Woda, Bór na Czerwonem and Morysin nature reserves, in partnership with UNEP/GRID
- PLN 159.6 million of bonuses and PLN 173.1 million grants awarded from the Thermo-modernisation and Renovation Fund
- 6,350 t CO₂eq is our annual carbon footprint (Scope 1, location-based Scope 2 and limited Scope 3)
- Conclusion of contracts to finance projects contributing to cutting transportation emissions by 40,377 t CO₂eq per annum
- Implementation of a multi-year investment programme co-financed by BGK, which is estimated to generate annual emission reduction from industrial activities of 2,466 thousand t CO₂eq in 2030.

Interaction with stakeholders



Society



Partners and clients



Employees

Interaction with other capitals

- + Human capital – volunteering activities (including tree planting, forest cleanup).
- + - Social capital – providing heat and electricity to homes, among other things, but also carbon dioxide emissions.
- + Infrastructure capital – financing the transformation of energy infrastructure.
- + - Financial capital – awarded financing, but also the cost of environmental education and process changes at BGK.

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1. BGK as an employer

GRI 3-3 Topic: Employee matters

SDG 3, SDG 5

We provide a friendly working atmosphere and we facilitate continuous development.

Our responsibility as an employer is confirmed by certificates, awards and distinctions we received in 2023, including:

- Top Employer certificate awarded to us by the Top Employers Institute for the sixth consecutive time,
- Responsible Employer – HR Leader 2023 title awarded by Strefa Gospodarki (an independent supplement to the Dziennik Gazeta Prawna),
- Best Quality Employer title granted by National Certification,
- Friendly Workplace title granted by MarkaPracodawcy.pl,
- Investor in People certificate awarded by the Experience Institute,
- Top-Quality Human Resources Certificate awarded by the Polish Human Resources Management Association,
- Wellbeing Leader 2023 certificate, awarded by the Wellbeing Institute.

GRI 2-7, GRI 2-8

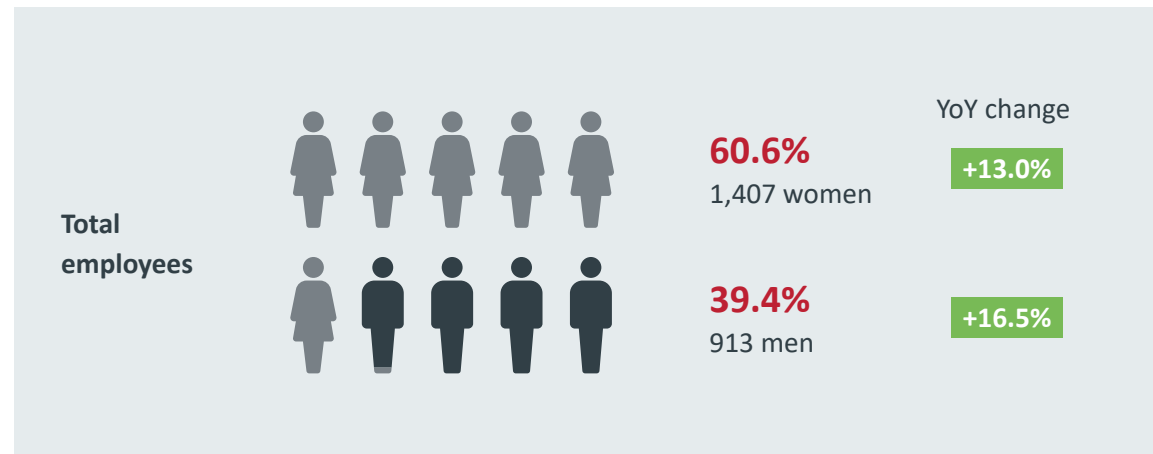


TABLE 4. Total number of BGK's employees by employment contract and by gender

Type of employment contract	31 Dec 2023			31 Dec 2022		
	Women	Men	Total	Women	Men	Total
fixed term contract	169	124	293	157	112	269
indefinite contract	1,238	789	2,027	1,088	672	1,760
Total	1,407	913	2,320	1,245	784	2,029

TABLE 5. Total number of BGK's employees by employment form and by gender

Employment type	31 Dec 2023			31 Dec 2022		
	Women	Men	Total	Women	Men	Total
full-time	1,374	897	2,271	1,228	775	2,003
part-time	33	16	49	17	9	26
Total	1,407	913	2,320	1,245	784	2,029

As at 31 December 2023, the headcount at BGK was 2,320 persons, which is an equivalent of 2,291.5 FTEs (including employees on parental, child care and long-term sick leaves). Compared to the end of 2022 when we had 2,029 employees (2,012.5 FTEs), the headcount increased by 291 persons (279 FTEs).

As at 31 December 2023, the headcount at the BGK Group was 2,305.7 FTEs. Compared to the end of 2022, the number of FTEs increased by 284.2. This is due to the development of certain areas of the Bank's operations (including ESG, the 3W initiative, international cooperation).

The total number of associates whose work we controlled was 79. They were engaged under mandate contracts (Polish: umowa zlecenie) to occasionally support our employees in ongoing tasks. The main areas in which mandate contracts were used were IT, administration and security. In the IT area, the commissioned activities included software development, application performance monitoring and testing, and writing test scenarios, in the administration area –

office work and archiving, while in the security area we needed assistance in developing and implementing information security solutions.

■ GRI 2-30

All persons employed at BGK under a contract of employment are covered by remuneration rules agreed with the trade union operating at the Bank.

2. Working conditions

■ GRI 3-3 Topic: Employee matters; GRI 2-19, GRI 2-20

■ SDG 3, SDG 8

Salaries and benefits

The remuneration policy together with the employee remuneration rules are the key document that define the principles of remuneration for all employees of the Bank, with respect to their dignity and diversity. They specify the remuneration structure, position valuation and non-discrimination rules, pay scale and incentive systems. The remuneration rules were agreed with the trade union operating at the Bank.

The observance of the policy is subject to evaluation by the Supervisory Board, which is performed on the basis of the results of audits conducted by the Internal Audit Department. In 2023, the evaluation was positive, as reflected in the relevant resolution of the Supervisory Board.

The remuneration of employees has two components. The fixed component includes base pay for the performed work and cash benefits awarded under the generally applicable law. The variable component includes remuneration whose amount is dependent on the performance of the employee and the Bank. It mostly comprises the annual bonus, the so-called EEP bonus, and the Top up bonus for exceptional achievements in a given year.

The amount of the EEP bonus is determined on the basis of individual performance, i.e. the level of achievement of goals (including cascaded strategic objectives) and conduct assessment in terms of fulfilment of BGK's values. Variable remuneration may also include benefits related to termination of the employment contract to the extent in which they reflect the commitment of a given person. The Bank does not award any guaranteed variable remuneration.

■ TCFD 1.A

In November 2023, a remuneration model linked to the Bank's ESG performance was introduced for senior management. The ESG goals set for senior management from 2024 onward are linked to the Bank's ESG performance, which should make a significant contribution to the Bank's achievement of its strategic objectives.

Senior management has at least one ESG goal set, which can be pursued severally or jointly, and the total weight of the ESG goals set cannot be lower than 10%. They are approved and verified by the ESG Committee.

Due to the legal form of BGK, nature of the activities conducted, and the individual risk profile, we do not pay the variable remuneration portion in shares or any other instruments.

BGK does not award any incentive bonuses for joining the organisation, and severance pays are made in accordance with the Polish Labour Code. Employees may receive a bonus for referring a person to work at BGK in accordance with the rules of the employee referral programme. The amount of the referral bonus depends on the position into which the candidate will be hired and at the end of 2023 it ranged from PLN 500 to PLN 3,000 gross.



- Policy of Remuneration for Employees of BGK,
- The Policy Governing Variable Remuneration Components of Staff Identified as Having a Material Impact on the Risk Profile of BGK.
- Remuneration rules for employees of BGK
- Remuneration rules for Members of the Management Board of BGK

Employees whose employment relationship has been terminated following retirement due to ill health or old age are paid an additional severance whose amount depends on the length of service. Its maximum amount is seven times the employee’s salary.

Our intention is to make salaries at BGK comparable to those at other financial sector entities. That is why we monitor market standards in this regard and we participate in salary surveys conducted by external entities. To carry out more detailed HR and payroll analyses, we engage external consultants.

In the case of employees that have a material impact on BGK’s risk profile (MRT – material risk takers), we have the right to withhold, reduce or limit the payment of the deferred variable remuneration component, if they were involved in an event, which caused a significant loss to the Bank. The terms of reducing the remuneration are specified in the Variable Remuneration Components Policy. In 2023, no deferred variable remuneration awarded pursuant to the policy was reduced and no right to such remuneration was revoked.

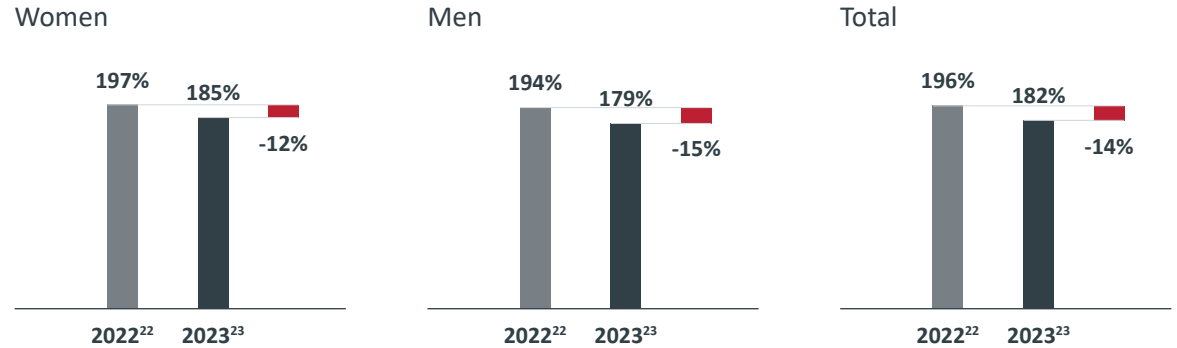
As regards members of the Management Board, separate regulations apply, i.e. the Act on Remuneration of the Management of Certain Entities of 9 June 2016, the Statement of the Ministry of Development and Technology on rules for specifying the remuneration of the Members of the Management Board of Bank Gospodarstwa Krajowego, dated 19 April 2023, and the Remuneration Rules for Members of the Management Board of Bank Gospodarstwa Krajowego attached as an appendix to Resolution No. 35/2023/X of the Supervisory Board of 19 April 2023. For more information on the remuneration of the Management Board, see [Section VI. 4.2 The Management Board](#).

GRI 2-21

In 2023, the total compensation of the highest-paid individual in the organisation was 5.27 times higher than the median compensation of other employees. The increase in total compensation of the individual referred to above was 22.1%, while the median increase in total compensation of other employees was 23.7%. As a result, the ratio being the quotient of these values was 0.93.

GRI 202-1

Chart 6. Ratios of standard entry level wage at BGK compared to local minimum wage



Employee benefits

GRI 401-2

Benefits are available to all employees regardless of the type of contract and working time. These include:

- medical care packages,
- MultiSport cards, subsidies for membership in sports groups,
- employee group life insurance,
- employee pension scheme, to which the employer pays the maximum permitted contribution of 7%,
- two days of carers’ leave to look after a child up to 14 years of age, regardless of whether the other parent has used a day off for this purpose with his or her employer,
- jubilee awards,
- social benefits and loans scheme,
- retirement severance pay higher than provided for in the Labour Code,

²² In 2023, the minimum salary in Poland was PLN 3,600 gross.

²³ In 2022, the minimum salary in Poland was PLN 3,010 gross.

- an additional day off for a person who has used all of his or her holiday leave in a given calendar year,
- an unpaid sabbatical for 1 to 3 months (for employees with at least 10 years of service at BGK; its purpose is to prevent burn out).

The Bank offers the following to its employees from the company social benefit fund:

- Christmas and childbirth benefits for employees and their children,
- co-financing of language learning courses, self-arranged employee holidays, tickets for cultural and sports events, purchase of books and sports equipment, forms of child care in nurseries and kindergartens.

After working at BGK for two full years, an employee also becomes eligible to take out loans with attractive interest rates granted from the Company Social Benefits Fund for housing purposes (construction, purchase, adaptation) or renovation purposes.

Retired employees of the Bank are entitled to the following benefits financed from the social fund:

- subsidies for leisure, recreation and participation in cultural events,
- social and random benefits,
- refurbishment loans,
- Christmas benefits.



Parental leave

GRI 401-3

TABLE 6. Number of BGK's employees that are entitled to parental leave and that returned to work after parental leave ended

Number of employees	2023			2022		
	Women	Men	Total	Women	Men	Total
entitled to parental leave	58	40	98	52	40	92
took parental leave	58	4	62	52	2	55
returned to work after parental leave ended	23	3	26	30	2	32
returned to work in the previous year after parental leave ended that were still employed for at least 12 months after their return to work	50	2	52	22	1	23
Return to work rate	39.7%	75.0%	41.9%	57.7%	100.0%	58.2%
Retention rate	96.2%	100.0%	94.6%	81.5%	100.0%	82.1%

The number of employees who took parental leave for 2022 was corrected as an obvious typographical error.

Promoting health and healthy lifestyle

GRI 403-6

Wellbeing programme

In our activities for employees, we focus on the areas of greatest importance to their wellbeing. The "PowerBank" wellbeing programme is based on four pillars:

- friendly working environment,
- physical and mental health,
- financial security,
- positive relations – maintaining interpersonal ties and a sense of belonging.

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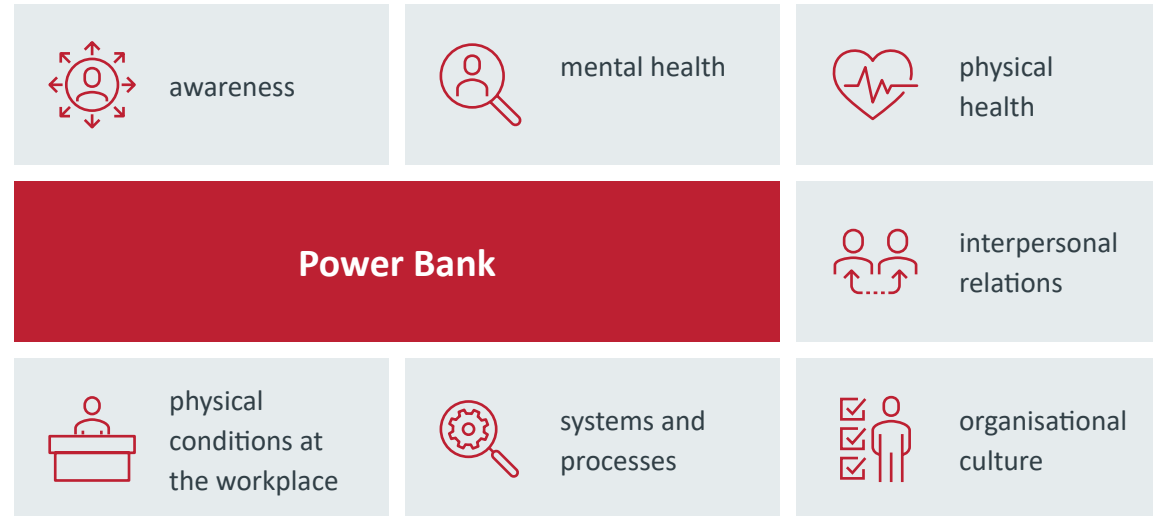
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Wellbeing Leader 2023 certificate

In 2023, the Wellbeing Institute recognised our organisation and we were awarded the Wellbeing Leader certificate. Experts determined that we effectively support the wellbeing of employees in seven areas:



GRI 3-3 Topic: Employee matters

Physical and mental health

We provide employees with additional subscription-based medical care. The two packages available to them also allow them to use available medical services outside the network of facilities designated by the provider, subject to reimbursement of costs on a quarterly basis.

As part of the subscription employees have access to specialised doctors, including a psychiatrist and a psychologist, as well as post-COVID-19 examinations. Employees can also purchase healthcare packages for their close ones: partner package, family package, package for children aged over 26, and package for seniors.

We conduct educational activities on preventive healthcare and we care for good working conditions. We organise events promoting a healthy and active lifestyle among employees.

The activities are conducted three times a week, namely online exercises (yoga, stretching, healthy spine) to support active breaks at work and psychomotor activities (relaxation breathing, other relaxation exercises, attention learning, meditation and activities to attain a peaceful state of mind). They are also available on business mobile phones through the ClickMeeting app. In addition, in 2023 we organised six meetings with a physiotherapist to discuss ergonomics in the workplace.

We also care about healthy eating habits of the Bank's employees. Once a week we offer fresh fruit in the offices. In 2023, we also organised a series of meetings with a nutritionist.

In the year covered by the report, we also conducted a campaign called "October – the month of mental health". Each Thursday in October, there were meetings with psychologists dedicated to caring for mental health, fighting the social stigma of people suffering from depression and breaking the taboo of speaking openly about emotional difficulties.

The Bank operates the Employee Assistance Program (EAP), which features psychological consultations and educational materials. The programme provides a professional, confidential source of information and psychological assistance for all employees and members of their families. The support covers difficult situations in both professional and private life. Assistance is provided by a team of psychologists, therapists, psychotherapists and coaches.

Pension security

One of the elements of improving the wellbeing of employees is caring for their financial security. In 2023, we organised two rounds of meetings (three meetings in May and five in October/November) with an expert on the pension security system. The topics discussed included the rules of capital accumulation as part of the employee pension scheme and the possibility of saving on individual pension accounts (IKE) and individual pension security accounts (IKZE). We offered new products to employees: IKE Korpo and IKZE Korpo.

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Sense of belonging

BGK’s employees who retire due to old age or disability can join the Senior Club, which has more than 230 members. It organises integration meetings, domestic trips and trips to other countries, trips to sanatoria and outings to theatres and cinemas. These events are highly popular among our retired employees.

The Senior Club publishes a quarterly which includes reports on meetings, trips and outings as well as interesting facts from BGK’s history. The Bank co-finances the Senior Club’s activities by allocating 5% of the annual basic contribution to the company social benefits fund. Moreover, we provide premises to pensioners for their meetings and we help to organise them.

For Christmas, we pay a holiday benefit from the social fund to all pensioners. More than 375 retired BGK’s employees received it in 2023.

Sports groups



BGK has sports groups that unite employees around common passions. At the end of 2023, there were 11 such groups. We reimburse employees for 50% of the cost of participation in training, as well as fees for participation in sports events – provided that logo of BGK is properly displayed.

We also support physical activity related to commuting – a room for bicycles is available at the Bank’s head office.

Supporting parents

At BGK, we promote partnership relations and the sharing of the parental leave between parents. In 2023, as a strategic partner of the Share The Care Foundation, we promoted family values and equal participation of both parents in raising children.

- We provided our employees with the publication “100% Man, how to father like a pro and get your 9 weeks of parental leave”, containing texts written by experts, the Share the Care Foundation’s ambassadors and other fathers.
- We prepared and posted on the intranet the e-books “Będe mamą” (“I’m going to be a mom”) and “Będe tatą” (“I’m going to be a dad”), which include detailed information on how to use leaves after the birth of a child.
- We provided parents with access to webinars: “How to make good use of the benefits introduced by the work-life balance directive”, “Everyone is important, or how to build family relationships where everyone is a winner”, “Parenting in conformity with the law”, “Parenting with Positive Discipline, or how to be an effective and kind parent”, “How to keep children safe online – tips for parents”, “Be an informed parent”.

All employees to whom a child is born receive a layette from the employer. To maintain contact with employees, throughout the entire maternity, parental and childcare leave, we regularly send them a newsletter #rodzinkaBGK, which contains information on the most important events at the Bank, changes in labour law, parental rights, benefits, etc.

Employee council

In accordance with the Act on Informing and Consulting Employees of 7 April 2006, employees of BGK appointed their representatives to form the employee council.

In fulfilment of our obligations under the said act, we provide the council with information on:

- the Bank’s activities and its economic situation, as well as anticipated changes in this regard,
- workforce level and structure, as well as expected workforce changes and measures aimed at maintaining the workforce level,
- activities which may cause material changes in work organisation or employment basis.

In total, in 2023 the employee council consulted 19 employee issues and participated in meetings with trade unions.

Trade unions

A company trade union of the Labour Confederation National Trade Union operates at the Bank. It is a representative organisation, as defined in the Labour Code, which means that its positions concerning all labour law matters which in accordance with the law require consultation with, opinion of or approval by trade unions, are binding for the employer.

Representatives of the social partner shall be invited to cooperate on all important projects concerning employee matters. Negotiations are held in a partnership atmosphere, due regard for the interests of both parties.

At the end of 2023, the representative trade union included 506 members (371 members as at the end of 2022). This represented 21.8% of the Bank’s total workforce, whereas a year earlier the percentage share was 18.3%.

One of the key arrangements made with the trade union in the past year was related to the principles of remote work. A relevant agreement was signed on 15 March 2023.

3. Care for the employees

GRI 3-3 Topic: Employee matters

SDG 8

Recruitment

The recruitment rules of Bank Gospodarstwa Krajowego standardise the staff selection process, promote equal opportunities for candidates and support management of diversity in the workplace. All Bank’s employees involved in staff selection apply the principles of equal treatment, which means that in the selection process they do not discriminate candidates due to gender, age, degree of disability, race, religion, nationality, political convictions, union affiliation, ethnic origin or sexual orientation.

Pre-adaptation and adaptation processes, as well as those applicable to employees at other stages of their employment cycle, are based on the values of openness, teamwork and responsibility.

In the process of recruitment we use advanced solutions, such as a recruitment chatbot, recruitment games, an online predisposition test and artificial intelligence. To implement these tools, we use the assistance of Polish companies, including start-ups, thus supporting domestic businesses. We also use psychometric tests provided by a Polish company. When selecting gifts for employees, we take into account environmental issues, such as recyclability.

We target our recruitment and image-building activities not only to students in Poland, but also to the Polish students abroad, encouraging them to return to Poland after they finish their studies.



- BGK management recruitment policy
- Policy on the recruitment of employees of BGK
- Internship policy at BGK

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In the field of recruitment and image-building, we apply the provisions of BGK’s Accessibility Policy.

We monitor candidate satisfaction through the Candidate Experience survey in an effort to continuously improve the quality of the recruitment process:

- in 2023, 60.4% of candidates would strongly recommend participating in the recruitment process held by BGK to people with a similar profile, while in 2022 the ratio was 50.7%.

GRI 401-1

TABLE 7. Total number of new employee hires at BGK, by age group and gender

	2023			2022		
	Women	Men	Total	Women	Men	Total
under 30 years old	68	55	123	62	56	118
30-50 years old	164	130	294	127	101	228
over 50 years old	11	21	32	8	7	15
Total	243	206	449	197	164	361
Rate of new employee hires	17.3%	22.6%	19.4%	9.7%	8.1%	17.8%

TABLE 8. Total number of BGK’s employee leaves, by age group and gender

	2023			2022		
	Women	Men	Total	Women	Men	Total
under 30 years old	14	17	31	23	20	43
30-50 years old	50	54	104	64	57	121
over 50 years old	18	16	34	29	24	53
Total	82	87	169	116	101	217
Turnover	5.8%	9.5%	7.3%	9.3%	12.9%	10.7%

We make every effort to ensure that our future employee feels a member of the BGK community already at the stage of receiving the job offer. That is why at least one week before joining the Bank’s staff, newly hired employees are provided with access to the onboarding platform Start with BGK. In the form of gamification, they are provided with all necessary information on the Bank. The appointed supervisor assists the employee in assuming duties and getting to know the team.

We monitor the satisfaction and opinions of participants of the adaptation programme – upon joining the organisation, and subsequently after a quarter. As a result, we have implemented a number of changes, for example we cut the adaptation time to three days and we organised training for speakers in the art of storytelling.

Training placements and internships

In the summer of 2023, we implemented a paid internship programme for students. Its purpose was to hire talented individuals, build BGK’s recognition as an attractive and modern employer and support the ongoing work of the institution, which is particularly important during the holiday period.

Key elements and features of the programme were as follows:

- forms of promotion adjusted to the young generation (including the use of social media among students: TikTok, Instagram),
- attractive terms (paid placements lasting between one and three months),
- additional development activities – participants took part in a training programme, which included “coffees with experts”, coaching, general development workshops, and a browser game promoting knowledge on sustainable development,
- integration and volunteer events in the form of joint trips and activities focused on sustainable development.

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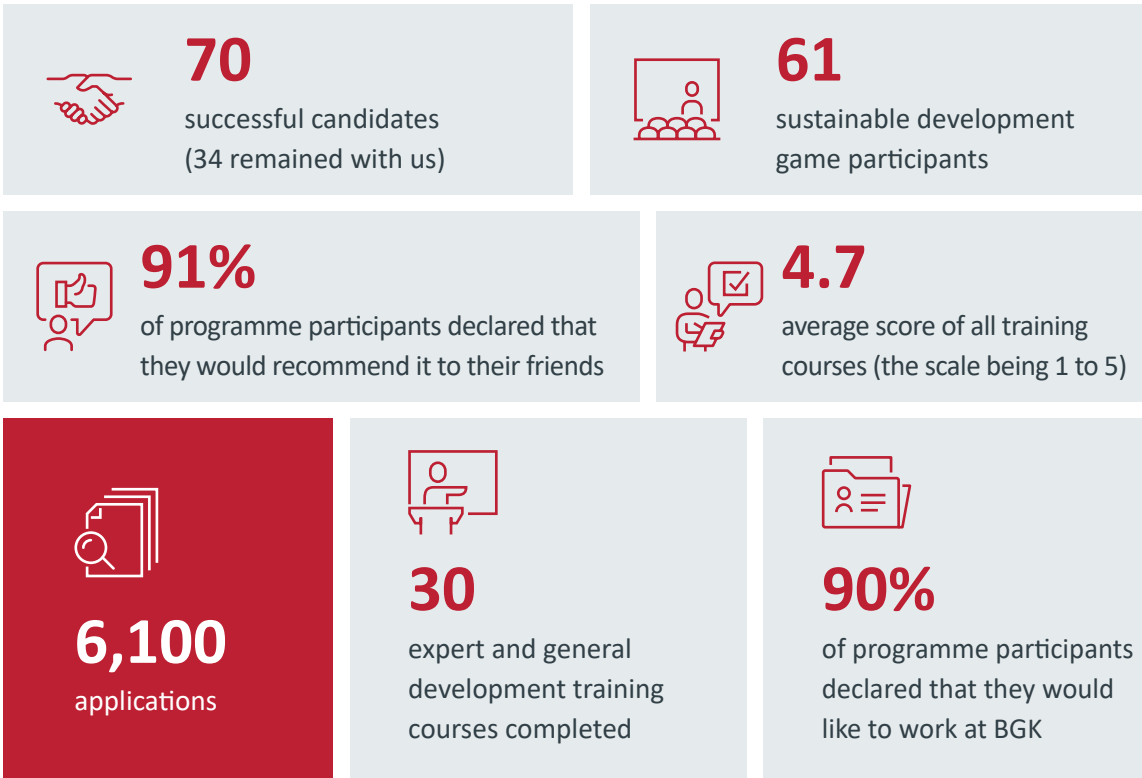
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Effects of the BGK Summer Academy project



Education and development

GRI 3-3 Topic: Employee matters

We make every effort to facilitate improvement of the competencies and knowledge of our employees. We set up long-term training and development programmes that meet both the Bank’s business needs and individual needs of our staff.

We encourage employees to take responsibility for their development and, with the support of managers, create and follow their individual plans in that area. This way they manage their career path and use the Bank’s training and development offer in a carefully thought-out manner.

Professional skills development training and programmes

GRI 404-1, GRI 404-2

TABLE 9. Participation in training – average number of hours by gender and employment category

	2023	2022
Gender		
Women	48.9	42.4
Men	43.2	41.9
Employment category		
Senior management	64.7	98.2
Middle management	59.2	49.5
Other employees	42.6	35.1

In 2023, we implemented the following development programmes for managers:

- 1. Management onboarding** targeted at people who were promoted from specialist/expert positions to managerial positions (75 persons).
- 2. Leadership of the Future** – a programme for team managers (34 days of on-site sessions, 39 online meetings).



3. Mentoring – a programme in which experienced managers share knowledge with those with shorter length of service.



23

mentors

4. Coaching – a programme for managers involving the achievement of individual development goals in cooperation with a coach.



72 h

of external
coaching



22

completed mentoring
processes



53 h

of internal
coaching

5. Talent Bank – the second edition of the programme implemented in two components: for future managers and for persons seeking to be project leaders, (30 days of training, 6 mastermind sessions, 4 business classes, 4 interdisciplinary projects).



112

employees
registered by their
superiors



28

Talent Bank
participants

In addition, we have implemented programmes and surveys designed to improve the quality of cooperation:

- 1. NPS** – a pilot survey of cooperation, in which 74% of the Bank’s employees took part. Its purpose was to find out opinions on cooperation between the Bank’s departments and provide feedback to one another.
- 2. Feedback culture** – a campaign in which we promoted giving honest feedback through videos, training, workshops and contests. It was very popular, for example, an average of 445 people signed up for webinars.
- 3. Digital Competence** – a comprehensive development programme for management staff, which started with a conference attended by 383 people.

In 2023, staff development policy in BGK was carried out in the form of development projects, closed (external and internal) training courses. We continued Competencies of the Future, a development programme for employees in non-managerial positions. It includes the following modules: contextual thinking, interdisciplinary work, feedback. From September 2022 to the end of 2023, 425 employees of the Bank participated in the programme.

Employees in expert positions participated in numerous specialist and general training courses. We provided training on soft skills and MS Office, among other things, in the form of internal workshops to 705 employees.

In 2023, we launched the 3rd edition of the Internship Bank, which was participated by 34 of our employees. Participation in this programme facilitates the acquisition of new competencies and enables setting up interdisciplinary teams.

Other forms of support for employees in their development

In 2023, we extended the wide range of training courses available on our internal e-learning platform by adding 45 new ones. We offer specialised training (external and internal) and training on social (soft) skills to our employees. In addition, we provide:

- subsidies for language courses (for 52 people in 2023),
- subsidies for studies (for 60 people in 2023),
- access to the eTutor language platform expanded to include two additional languages – Spanish and Italian,
- access to online courses on the Udemy platform.

We help employees who have been laid off in finding their way in the labour market. As part of BGK's Outplacement Programme, our support includes:

- analysis of strengths and areas requiring improvement – competency, team role, logical, numerical tests,
- support in the preparation of application documents and a profile on LinkedIn,
- providing information on navigating the labour market,
- providing an insight into modern candidate selection methods and preparing for job interviews, consulting on building relations for work purposes.

Employees of pre-retirement age have the same access to training and other forms of development support as other members of our team. They also benefit from special care by an HR business partner and an employee relations manager (a qualified psychologist), who offer consultations.

TABLE 10. Statistics on development training provided to BGK's employees

	2023	2022
number of employees trained	2,079	2,149
number of training hours	97,433	83,684
number of open training sessions (available on the market)	415	408
number of closed training sessions (prepared for BGK)	189	158
number of e-learning courses available on an internal platform	101	45
number of e-learning course views	approx. 17,000	approx. 21,000

Employee Evaluation Programme (EEP)

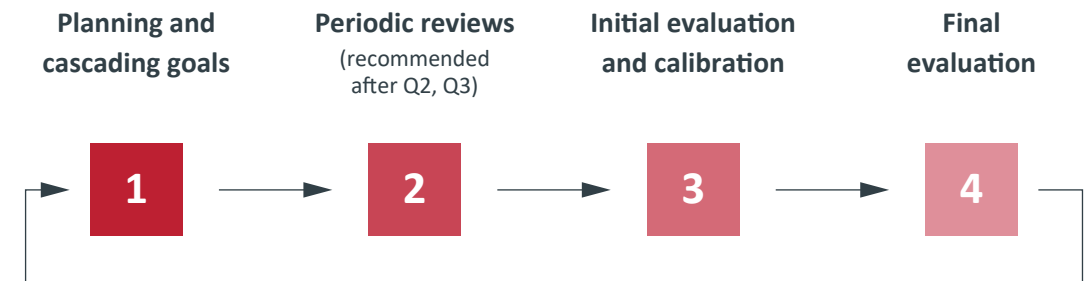
■ GRI 404-3

All persons employed under contract of employment (senior and middle management and other employees) are subject to periodic evaluation. An exception are persons who have rendered

service for less than three months in a given calendar year or whose employment relationship was terminated before the calendar year end.

The EEP has been introduced for incentive purposes. Employee evaluation is based on two criteria of equal importance, which are goal achievement and attitude. The latter is evaluated in relation to defined behaviours, in the three step scale: below expectations, expectations met, or expectations exceeded. Payment of the bonus is conditional on obtaining at least 80% of the maximum points in both components of the evaluation.

In 2023, we introduced EEP 2.0 and we reviewed and updated the list of behaviours together with employees and managers who received the highest score in 2022.



Occupational health and safety (OHS)

■ GRI 403-1, GRI 3-3 Topic: Employee matters

At BGK, we create a safe and healthy working environment for each employee. Our safety rules are based on the applicable external regulations and internal instructions prepared on their basis, as well as safety rules resulting from knowledge, experience, scientific and technological developments.

Risk under control

■ GRI 403-2, GRI 403-7

With the safety and health of BGK’s employees in mind, we regularly conduct and update occupational risk assessments for all positions. They include health risks involving psychosocial aspects and remote work. Our primary goal is to provide employees with effective protection against the hazards in the workplace. The risk assessment is conducted by the following, among others:

- occupational health services,
- occupational health medical practitioner,
- employees’ representatives.

In the risk assessment, we take into account the specific needs of people with disabilities as well as pregnant and breastfeeding women. Persons employed at the Bank are required to read the documentation on the occupational risk assessment during position training carried out as part of the initial training and each time when any changes are made to the workplace.

We care about the health and life not only of the Bank’s employees, but also our customers. We provide access to first aid kits, plaster dispensers and automated external defibrillators (AEDs) – we currently have 24 such devices across Poland.

In addition, we trained 60 employees as First Aid Leaders who are designated to provide first aid. They periodically complete additional training to improve their skills in this area.

We carry out regular OHS inspections at all facilities and warehouses to eliminate threats to the safety and health of employees.

In 2023, we introduced rules for the safe and hygienic performance of remote work, as well as control rules in this area. It is the responsibility of each employee to read and observe them to safely perform work, for example at home.

Each BGK employee can report a discovered defect that may be relevant for OHS rules on an internal online platform.

Occupational health and safety (OHS)

■ GRI 403-3

At the Bank, we engage specialists who perform an advisory and inspection function in the area of occupational health and safety. The occupational health services initiate and develop various forms of promoting matters related to safety, health and ergonomics at work, such as the ergonomics survey. In their activities they pay special attention to:

- the physical work environment (work tools, organisation of workstations, ergonomics, environment),
- employee conduct (compliance with OHS rules, cooperation, attitude, responsibility),
- characteristics of employees (knowledge, skills, motivation).

OHS officers have the accreditations, experience and knowledge necessary to perform their functions. They regularly participate in training to improve their qualifications.

Consultation on occupational health and safety

■ GRI 403-4

All BGK’s employees are committed to continuous improvement of security. Employees may freely report potentially hazardous situations and discovered hazards, and managers and OHS officers actively cooperate with them to find effective and sustainable solutions.

We appointed a health and safety committee, composed of an equal number of representatives of the employer, including an occupational health medical practitioner, and employees. The committee holds its meetings each quarter. It supports BGK in its efforts to ensure safety and health protection of workers.

Training on occupational health and safety

GRI 403-5

In fulfilment of our legal obligation, we provide initial and periodic training on occupational health and safety. Its purpose is to familiarise employees with:

- basic OHS regulations and rules,
- how to administer first aid,
- factors in the work environment,
- occupational risks associated with the work performed,
- methods of protection against hazards.

TABLE 11. Number of BGK employees trained on OHS – by training type

	2023	2022
Initial	456	362
Periodic	159	49

What is more, we regularly provide first aid training, which in 2023 was attended by 111 employees at the head office of the Bank.

Work-related injuries

GRI 403-9, GRI 403-10

The work at BGK consists of administrative and office activities, hence if our employees suffer any accidents, they are usually classified as minor accidents. The injuries sustained by employees mostly include dislocations, sprains and fractures. Accidents at work are related to moving, driving or handling objects. In 2023, we recorded no fatalities or serious work-related injuries.

TABLE 12. Number of accidents suffered by BGK’s employees – by gender

	2023	2022
Women	3	5
Men	2	0
Total number of persons injured in accidents	5	5

In 2023, the rate of work-related injuries, calculated as the number of work-related injuries/ number of days lost, was 0.25.

In 2023, we recorded no reports of any work-related ill health.

4. Diversity management

GRI 3-3 Topic: Employee matters, GRI 2-23, GRI 2-24 ■ SDG 5

In accordance with the rules applicable at the organisation, all employees of BGK enjoy equal treatment, regardless of gender, age, nationality and ethnic origin, religion, political affiliation, sexual orientation, degree of disability and trade union membership.

We ensure equal treatment and care for the diversity of our workforce with the following measures:

- relevant provisions in internal regulations,
- promoting values and customs requiring the treatment of each person with respect,
- building employees’ awareness, inter alia, through training and workshops,
- non-discriminatory rules of remuneration and access to non-pay benefits,
- equal access to development initiatives and training courses,
- building internally diverse employee teams.

We strive to create a friendly working environment – free of mobbing, discrimination and other unethical behaviour. To that end, the following are used:



- “Respect at a workplace” policy
- Code of Ethics of BGK
- Anti-Mobbing Procedure of BGK
- Procedure for reporting breaches at BGK

GRI 406-1

In 2023, no incidents of discrimination/mobbing were found at the Bank that would require any corrective actions to be taken.

We make sure that our employees are aware of diversity, human rights, ways of reporting difficult situations and seeking assistance in solving them. For that purpose, we organise adaptation training for new employees, during which we inform them about our values, in particular respect and consideration for the dignity of each person, emphasising diversity as a strength of BGK. A summary of the training provided in 2023 is presented below.



11

workshops on diversity and respect for human rights



489

trainees

In addition, BGK’s employees could participate in a webinar held by the employee relations manager, entitled: “Emotions during feedback – how to provide and receive feedback with respect



and dignity for the other person”. We maintain an Employee Relations section on our intranet, where we post internal regulations, instructions for reporting unethical behaviour, and publish articles on building a friendly working environment.

In 2023, nearly 95% of our team members employed under contracts of employment and mandate contracts received training provided by the employee relations manager. We are continuing e-learning training courses on the “Respect in the workplace” policy, which are mandatory for all employees and end with a test. Last year, the test was taken by 87% of the staff, with a pass rate of 99%, which confirmed their knowledge of the procedure for reporting breaches, among other things.

In March 2024, the “Respect in the workplace” policy was updated. Its current name is the Diversity and Respect in the Workplace Policy. It was supplemented with a definition of diversity and references to human rights. We also expanded the definition of discrimination to include the concepts of harassment and sexual harassment, among others. We clarified measures to support the implementation of the policy, in particular designed to improve employee wellbeing and accessibility. In addition, we added information about the possibility of reporting adverse events through the OECD National Contact Point for Responsible Business Conduct.

Diversity among employees

GRI 405-1

TABLE 13. Percentage of BGK's employees in individual categories

	31 Dec 2023			31 Dec 2022		
	Women	Men	Total	Women	Men	Total
Senior management						
under 30 years old	0%	0%	0%	0%	0%	0%
30-50 years old	20%	29%	49%	23%	42%	65%
over 50 years old	25%	26%	51%	21%	15%	35%
Total	45%	55%	100%	43%	57%	100%
Middle management						
under 30 years old	0%	0%	0%	0%	1%	1%
30-50 years old	25%	40%	65%	35%	35%	70%
over 50 years old	21%	14%	35%	17%	12%	29%
Total	46%	54%	100%	52%	48%	100%
Other staff						
under 30 years old	7%	5%	12%	8%	6%	14%
30-50 years old	40%	22%	62%	42%	23%	65%
over 50 years old	17%	9%	26%	14%	7%	21%
Total	64%	36%	100%	64%	36%	100%

Diversity in management and supervisory bodies

TABLE 14. BGK's Management Board members by gender and age as at 31 December 2023

Gender	Number of people	%
Women	1	20%
Men	4	80%

Age	Number of people	%
Under 40 years old	0	0
40 - 49 years old	2	40%
50 - 59 years old	3	60%
60 - 69 years old	0	0%

Management Internship	Number of people	%
1 year	1	20%
2 years	1	20%
6 years	3	60%

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TABLE 15. BGK's Supervisory Board members by gender and age as at 31 December 2023

Gender	Number of people	%
Women	4	36%
Men	7	64%

Age	Number of people	%
Under 40 years old	0	0
40 - 49 years old	6	55%
50 - 59 years old	1	9%
60 - 69 years old	4	36%

Internship	Number of people	%
1 year and less	4	36%
2 years	1	9%
3 years	1	9%
5 years	2	18%
6 years	3	27%

Solutions for people with disabilities

BGK employs persons with a disability certificate. For them, as well as other people with special needs, we have introduced a range of facilitations. Following the 2022 audits of digital and architectural accessibility, we have identified areas for improvement. We redesigned our websites, we launched a sign language translation service, we include subtitles and audio description in materials, and we fitted the representative offices and the head office with induction loops to assist the deaf and hard of hearing. In 2023, we implemented an accessibility policy and we conducted training for employees on the matter.

We employ a vocational integration manager and an accessibility expert to guarantee equal treatment of people with disabilities and special needs. For more information, see [Section V.2. Social commitment](#).

GRI 405-1

TABLE 16. BGK's employees with disabilities by gender and age

	31 Dec 2023			31 Dec 2022		
	Women	Men	Total	Women	Men	Total
under 30 years old	3	1	4	2	1	3
30-50 years old	10	14	24	8	10	18
over 50 years old	7	5	12	8	5	13
Total	20	20	40	18	16	34
%	1.4%	2.2%	1.7%	1.5%	2.0%	1.7%

Ratio of remuneration of women to men by employee category

GRI 405-2

Bank employees have equal rights for the same performance of the same duties. Differences in remuneration levels result from the assessment of competencies, experience and responsibilities in a given position. They are not directly related to the gender, age, ethnic origin or religion of the employees.

The EPG (Equal Pay Gap) indicator in 2023 was 3.5%. It compares the average salaries of men and women who work in the same position at the same grade and in the same role. This means that the pay gap has narrowed by 1.0 percentage points in relation to the previous year (4.5% in 2022).

The following indicators show the ratio of remuneration of female staff members to remuneration of male staff members calculated based on guidelines EBA/GL/2022/06 of 30 June 2022. The tables show the difference between the average remuneration of women and the average remuneration of men at the level of the organisation, i.e. without regard to the type of work provided, the scope of responsibility, individual competences, position held, or the employee's place in the structure.

TABLE 17. Ratio of basic salary and remuneration of women to basic salary and remuneration of men by employee category

	2023	2022
Senior management	90.3%	89.8%
Middle management	88.3%	89.3%
Other staff	86.1%	82.5%
Total employees	78.1%	76.4%

TABLE 18. Ratio of total salary and remuneration of women to total salary and remuneration of men by employee category (takes into account variable remuneration awarded depending on the progress in achievement of the objectives set for the employee)

	2023	2022
Senior management	97.0%	90.5%
Middle management	88.7%	89.7%
Other staff	87.1%	82.1%
Total employees	79.4%	79.4%



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1. Social and economic environment
2. Our stakeholders
3. Customer experience

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1. Social and economic environment

Economic and geopolitical events that occurred in 2023 again had a significant impact on the social situation in Poland.

Households were hit by sustained high inflation, as it continued to primarily affect essential goods (food and energy) and most significantly eroded the real disposable income of the least well-off families. To reduce the negative effect of this process the government maintained anti-inflation shields which lowered average VAT rates on food and the cost of energy products. The shields helped stabilise the economy trend and reduced the erosion of household real income in the first half of the year.

In 2023, due to Russia’s aggression against Ukraine, approximately 1.0 million refugees stayed in Poland. From the beginning of the war until the end of 2023, approximately 17 million Ukrainians crossed the border of our country. About 1.6 million of them received PESEL numbers in Poland entitling them to work and receive social benefits.

The absorptive power of the labour market and shield programmes mean that the social situation in Poland remains stable, despite such a large influx of refugees from Ukraine and the numerous challenges that come with it.

1.1. Economy abroad

Slower economic growth amid high inflation

According to an estimate made by the International Monetary Fund (IMF) in January, the growth rate of global GDP in 2023 was 3.1% year on year, compared with 3.5% year on year in 2022. Lower business activity was a consequence of persisting high, although declining, inflation (the IMF estimates global CPI at 6.9% in 2023 vs. 8.7% in 2022), on top of which came the turbulence in commodity markets following Russia’s aggression against Ukraine as well as changes in post-pandemic behaviour of households. As a consequence, strong interest rate hikes were delivered by major central banks, including the Federal Reserve and the ECB, which reduced demand. In



addition, the global economic situation suffered from a slower-than-expected rebound in Chinese consumer demand after the COVID-19 period.

1.2. Domestic economy

Heading for a slowdown in economic activity

In 2023, the domestic economy entered a period of stagnation after a post-pandemic rebound and the influx of refugees in 2022. Annual GDP growth rate was negative in the first two quarters at

-0.3% and -0.6%, respectively, slowly regaining ground in the second half of the year and moving to positive territory in the fourth quarter, when it stood at 1.0% y/y. Ultimately, throughout 2023 GDP grew 0.2%. The growth rate was limited by individual consumption and an all-time record decline in inventories. Positive drivers included investment and net exports. Strong growth rate was observed in the construction sector, whereas the industry – after a strong post-pandemic rebound – had a negative contribution.

TABLE 19. Real GDP growth rate, not seasonally adjusted (average annualised prices from the previous year), with the corresponding period of the previous year rebased to 100

Item	2023				
	Q1-Q4	Q1	Q2	Q3	Q4
Gross domestic product	100.2	99.7	99.4	100.5	101
Domestic demand	96.2	95.2	97.1	94.8	97.7
Total consumption	99.9	98.4	98.4	101.3	101.5
- households	99	98	97.2	100.8	99.9
Gross capital formation	83.7	82.3	91.7	71.9	88.3
Gross fixed capital formation	108.4	106.8	110.5	107.2	108.7
Exports	98.1	103.8	96.8	89	102.7
Imports	91.7	96.8	93.2	79.7	97.2
Gross value added	101	100.9	100.8	100.8	101.4
Manufacturing	99.3	99.1	98.3	98	101.1
Construction	103.4	101.9	102.9	102.8	105.3
Trade and repair of motor vehicles	97.6	95.7	93.3	101.7	99.9
Transport, storage	96.7	99.5	95.6	94.8	97.4
Accommodation and catering	103.5	102.9	103.8	103.6	103.4

Stable labour market despite high inflation and fiscal challenges

The near-zero economic growth rate has marginally worsened the situation in the labour market. In December 2023, employment growth in the corporate sector stood at -0.1%, compared to 2.2% in the same period last year. This was accompanied by a reduction in the unemployment rate to 5.1% at the end of 2023 from 5.2% at the end of 2022. At the same time, nominal growth of average salaries in the corporate sector fell from an annual average of 13% in 2022 to 11.9% in 2023. However, in real terms, salaries started to grow in H2 2023 as a consequence of receding inflation pressure and maintained double-digit pay growth. The easing of geopolitical tensions brought down prices of food and industrial metals. Consequently, annual CPI growth rate shrunk from 16.6% in December 2022 to 6.2% in the same month of 2023.

At the same time, the effects of the Covid-19 crisis and Russia's invasion of Ukraine caused an increase in public debt in relation to GDP from 45.7% in 2019 to 49.3% in 2022. After the first three quarters of 2023, the debt stood at 48.7%, having rolled back from 50.1% in the same period of 2022.

Easing of monetary conditions in Q3 and Q4

A strong post-pandemic rebound combined with expansionary fiscal policy and Russia's aggression contributed to an increase in prices of energy resources, food and the general level of prices in 2021-2022. As a result, the Monetary Policy Council (MPC) entered the path of monetary policy tightening in the beginning of Q4 2021. From December 2021 to February 2022, the MPC raised interest rates by 50 bps at each of its subsequent monthly meetings. After Russia's attack on Ukraine, the hikes increased to 75 bps in March and 100 bps in April. The most recent rise (by 25 bps) was made in September 2022, bringing the reference rate to 6.75%. For a year, the MPC kept monetary conditions unchanged, only to decide to ease them by 75 bps in September 2023 and by another 25 bps the following month. The Council resolved to lower the cost of borrowing due to the economic downturn and low monthly CPI growth rate after April last year. Ultimately, the reference rate was 5.75% at the end of 2023.

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Strong fluctuations in debt markets

The year 2023 brought a continuation of the downward trend in the valuation of treasury instruments that began already in late 2021. Rising bond yields were recorded in underlying markets. These increases culminated in late Q3 and early Q4. They resulted from the continued hawkish stance of central banks, concerns about high issue of debt, and persistent inflation, in particular in base terms. Yields on 2-year US notes reached 5.20% (17-year highs) after rising from around 4.2% at the beginning of the year. The long end of US Treasuries also lost ground, approaching 5.2% (16-year highs). Toward the end of the year, the trend of rising yields showed a correction as a result of consolidation of disinflationary processes and a prospect of easing monetary conditions by major central banks. However, yields still remain relatively high given the market regime after the 2008–2009 crisis.






2. Our stakeholders

GRI 2-29

Our stakeholder map was updated during a workshop with the senior management in July 2022. 68 stakeholder groups were identified, of which 30 groups are key stakeholders (with the greatest impact on the Bank and interest in its activities). In our view, the map remained unchanged in 2023.

We engage our stakeholders in dialogue on sustainability matters through assigned communication channels adjusted to the needs of a given group.

Table 20. Stakeholders and communication channels

Stakeholder category	Stakeholder group	Communication channel/ management method	Stakeholder category	Stakeholder group	Communication channel/ management method
<p>The only bank of its kind</p> <p>Value creation</p> <p>Employees</p> <p>Environment</p> <p>Achievements</p> <p>Governance</p> <p>Risk management</p> <p>Outlook</p> <p>Reporting</p> <p>Appendices</p>	<p>Internal stakeholders</p>  <ul style="list-style-type: none"> ▪ BGK’s employees ▪ subsidiaries ▪ Supervisory Board ▪ Management Board of the Bank 	<ul style="list-style-type: none"> ▪ regular employee opinion surveys ▪ focus groups ▪ polls ▪ team meetings ▪ cascade meetings with management staff ▪ themed email addresses 	<p>Business partners and clients</p> 	<ul style="list-style-type: none"> ▪ commercial banks ▪ corporate clients ▪ SMEs ▪ financial intermediaries ▪ local government entities ▪ municipal companies ▪ housing cooperatives and communities ▪ social housing associations (SHAs) ▪ social economy entities 	<ul style="list-style-type: none"> ▪ questionnaire surveys ▪ NPS (Net Promoter Score) ▪ channels of communication with clients described in the Section 4.III Customer experience ▪ contact by phone and email ▪ face-to-face and online meetings ▪ periodic and current reports published on the website
	<p>Regulatory environment</p>  <ul style="list-style-type: none"> ▪ ministries ▪ legislative bodies ▪ banking regulators (PFSA, EBA) ▪ EU institutions ▪ market conduct supervision ▪ Treasury supervision 	<ul style="list-style-type: none"> ▪ issuing opinions on planned regulatory changes ▪ working meetings at various levels ▪ contact by phone and email ▪ face-to-face and online meetings ▪ periodic and current reports published on the website 	<p>Cooperating institutions/ organisations</p> 	<ul style="list-style-type: none"> ▪ public institutions ▪ European development banks ▪ chambers of commerce and industry ▪ industry organisations ▪ global and regional financial and development institutions (EIB, EBRD) 	<ul style="list-style-type: none"> ▪ meetings ▪ partnerships ▪ conferences ▪ webinars
	<p>Market environment</p>  <ul style="list-style-type: none"> ▪ auditors ▪ rating agencies ▪ investment funds 	<ul style="list-style-type: none"> ▪ contact by phone and email ▪ face-to-face and online meetings ▪ periodic and current reports published on the website 	<p>Social environment</p> 	<ul style="list-style-type: none"> ▪ local communities ▪ BGK foundations ▪ higher education institutions ▪ potential employees ▪ think tanks 	<ul style="list-style-type: none"> ▪ meetings with students ▪ participation in projects ▪ student internships ▪ CSR programmes of BGK foundations

3. Customer experience

GRI 2-26

We make effort to build partnership-based relations with our clients. We want to respond effectively to their needs and expectations.

We work on relations with clients in five areas:

- customer experience management,
- building a culture in which clients are at the centre of focus,
- measurements and analysis relating to customer experience,
- customer experience diagnostics,
- customer experience design.

We manage customer experience

We want to hear the voice of our customers. We analyse various sources and use multiple research methods:

- we regularly conduct customer surveys thorough the helpline and in the complaint handling process,
- we hold in-depth interviews with customers to prepare customer journey maps,
- we supplement our knowledge of customer experience in meetings with employees from different teams,
- we analyse helpline calls as well as complaints and email correspondence,
- for measurement purposes we use the following indicators: NPS (Net Promoter Score), CES (Customer Effort Score) and FCR (First Contact Resolution).

We design the best customer experience

Client opinions are the basis for planning and implementing client-oriented initiatives. We prepared three customer journey maps:

- I am applying for an investment loan,

- I am opening and I use a bank account,
- I am submitting a complaint.

Conclusions from the maps are drawn in interdisciplinary teams. Together, we analyse the identified pain points (barriers faced by clients) and make improvements.

We appointed the CX Committee at the level of the Customer Experience Management Department. It is composed of managers and representatives of the department's teams (customer experience, contact centre, complaint handling, plain language, CRM). We meet regularly to analyse customer opinions and our observations and recommendations are shared with business owners.

We know that personalised service is very important to our customers, so we have developed a Code of Best Practice in Service, which provides a guideline to employees on the conduct in customer relations.

We model the attitudes of our employees and we are building a culture in which customers are at the centre of focus. We hold workshops and presentations and we provide a website relating to customer experience on the intranet.

Complaints

We also analyse the opinions of our customers based on their complaints and grievances. Since 2021 we have regularly surveyed our business partners' satisfaction with the complaints handling process.



82%

of respondents believe that our responses to complaints are clear and understandable. We edit them using plain language principles.



86%

of respondents consider the response time as appropriate. We are working to reduce the response time by preparing response templates for repetitive claims, among other things.

Complaints are registered in an application, where we collect all documentation related to a given complaint.

Time to process and reply

We accept complaints and grievances from the Bank's clients, as well as clients of our cash desk intermediaries, financial intermediaries and financing partners. We process 36% of complaints other than related to payment services within 15 calendar days, which is twice as fast as required by law. In the case of payment service complaints, the average response time was 10 business days, with 30% of responses provided within 5 days. In 2023, more than half of complaints not related to payment services required their analysis by multiple internal units or opinions and explanations from external partners, which resulted in longer response times.

In 2023, the Bank received 270 complaints and grievances (compared to 287 a year before), of which 30% were found to be valid.



4%

is the rate of complaint appeals in 2023 (in 2022 - 5%)

Channels for filing complaints

We accept complaints or grievances in any form that is convenient to the client:

- in person,
- in writing,
- by phone,
- electronically.

Our analysis shows that in 2023 clients most often (61%) chose electronic channels (email, online banking, complaint or contact form).

Principles of plain language

Plain language, outside the area of complaints, has entered the day-to-day operations of the entire organisation. Last year, we simplified about 200 documents – letters, communications, rules, forms and texts published on the website. 40% of them have already been implemented. We want our communication to be understandable and customer-friendly.

We have developed the “Plain Seven”, a set of plain language rules that will be helpful in daily work.

We have prepared guidelines for creating bank forms and we regularly publish language handbooks and columns on the intranet blog. In cooperation with linguists, we organised more than 220 hours of training on plain language for more than 250 employees. Plain language is popularised by a network of plain language leaders comprising more than 40 members.

Achievements

1. Sustainable development
2. Social commitment
3. International business and cooperation
4. Digital and process transformation
5. Effective management model
6. Financial performance and structure of the statement of financial position of BGK
7. Financial performance and structure of the statement of financial position of the BGK Group

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1. Sustainable development

GRI 3-3 Topic: Climate change

Sustainable development is one of the core pillars of BGK’s strategy for 2021–2025. We understand it as promoting socio-economic development in such a way as to create better living conditions for the future generations.

To achieve this, we work on many levels. First of all, we strive to build awareness of sustainable development among our employees so that they can most effectively develop and use their competencies in support of BGK’s mission. We launched the “Sustainable development” ambassador programme and, together with the United Nations Environment Programme (UNEP/GRID), the Re:Generation initiative for biodiversity conservation.

We are also changing as an organisation. Our strategic approach to sustainability is reflected in the goals of our business model programmes (see more in [Section II.2.](#)). The goals entail a commitment to their achievement – we have implemented a remuneration model linked to the Bank’s ESG performance for the Management Board and senior management staff (see more in [Section III.2.](#)).

Not only are we aligning internal regulations and processes with the requirements of national and EU regulators, but also, given BGK’s unique role in the financial market, we are drawing on industry best practices. Our experts participate in national and international working teams, sharing their knowledge and experience in the field of sustainable development. In June 2023, we joined the IFRS Sustainability Alliance, a global community developing sustainability reporting standards.

We also conducted a range of activities aimed at raising awareness among our stakeholders. Our experts share their knowledge at conferences, webinars and postgraduate studies. We have developed an e-learning course on ESG basics, targeting small and medium-sized enterprises.



Through a capital investment of EUR 150 million by an associate, the Three Seas Initiative Investment Fund, in a Polish developer and an independent electricity producer operating in the photovoltaics and energy storage industry – R.Power S.A., support was provided to energy transition in Europe.

R.Power is also an issuer of green bonds, and its bondholders include BGK and the PFR Fundusz Inwestycyjny FIZAN, in which BGK is an investor.

We are expanding the approach and tools for ESG risk management. We have implemented a strategic limit for ESG risk (see more in [Section VII.6.](#)). We have started work on climate risk stress testing based on the European Central Bank’s methodology (based on NGFS scenarios). We continue to improve the ESG survey – the main channel for obtaining information on our partners and financing.

In 2023, we have launched an offer called Financing to support sustainable investment, in which we include criteria linked to sustainable development. We are targeting companies that require transition towards sustainable operations or are planning an investment that makes a significant contribution to achieving environmental or climate goals, and are seeking external financing for its implementation. Details of the offer are discussed in [Section V.1.1.](#)

In the past year, we paid a lot of attention to building systemic solutions for providing stakeholders with knowledge about our operations. We enhanced the approach to ESG risk disclosures (Pillar III, ESG) and we developed a methodology for calculating the Green Asset Ratio (GAR).

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BGK’s compliance with ESG standards has been reviewed by the rating agency Sustainable Fitch, which in January 2023 awarded us with an ESG rating of 2 (on a scale of 1–5, where 1 is the best rating). We use the knowledge gained from the review process to make further improvements, with an ambition to achieve BGK’s rating in the fifth decile of European banks in 2025.

However, we know that neither obtaining strong ESG ratings nor comprehensive reporting in compliance with the new regulations are an end in itself. They are merely tools to help responsibly manage the impact on the environment, including the climate and social environment. At this stage, we are developing and expanding the principles for measuring this impact using best methodologies, such as the guidelines issued by PCAF (Partnership for Carbon Accounting Financials) and UNEP FI (United Nations Environment Programme Finance Initiative). We want to manage our impact throughout the value chain, among other things, by setting measurable environmental and social goals for the activities supported with our financing. Our financing supports the achievement of United Nations Sustainable Development Goals.

We made a gap analysis in terms of the European Sustainability Reporting Standards (ESRS) and we are preparing in advance to their implementation in the Bank. The action plan responding to the new reporting requirements, approved by the ESG Committee, includes in particular:

- Preparation of an architecture of procedures and processes related to sustainability management;
- Development and implementation of value chain mapping and materiality assessment methodology;
- Implementation of a systematic approach to measuring the non-financial effects of our financing (including ex-post), including the scale of its negative and positive impact;
- Integration of relevant sustainability issues into BGK’s strategy, designing policies or guidelines for managing these issues;
- Development of a decarbonisation strategy – a low-carbon economy transition plan.

The ESG Committee also accepted BGK’s proposed medium- and long-term ambitions in each of the three areas: environmental, social and governance. In 2024, the Management Board of BGK accepted those ambitions and indicated specific measures to be taken to turn them into strategic goals and operational tasks. We are working on decarbonisation pathways in each sector. For us, it is an important starting point to further discussion and development of detailed, long-term sustainability KPIs.

1.1. Impact of our financing on the environment and climate

■ GRI 3-3 Topic: Climate change

■ SDG 7, SDG 13

The quality of life of Poles depends on the state of the environment. We are committed to ensuring that the activities we fund have a mostly positive or neutral impact on the environment and climate, and in cases justified by strategic security considerations – that their negative impact is as small as possible.

In six out of the eight business model programmes BGK offers financial instruments for investments with a direct or indirect positive impact on the environment or reducing climate change. We encourage our clients and partners to make an effort towards sustainability. We provide financing in compliance with Sustainability Linked Loan Principles (SLL), where the margin depends on the borrower’s achievement of predefined goals related to ESG matters. In 2023, the financing amounted to nearly PLN 1.7 billion. We have also signed loan agreements for an aggregate of PLN 2.5 billion, in which the margin is dependent on the ESG rating obtained by the partner.

We measure and report on the impact of our financings (granted under specific programmes) on sustainability – see more in [Section II.2](#).

BGK’s business model programmes



Strategic security

■ SDG 7

In 2023, the goals of the programme promoted climate neutrality efforts. It supported projects to cut emissions from Poland’s power sector, most of all investments in renewable energy sources and modern heating systems. We advanced loans advanced to power

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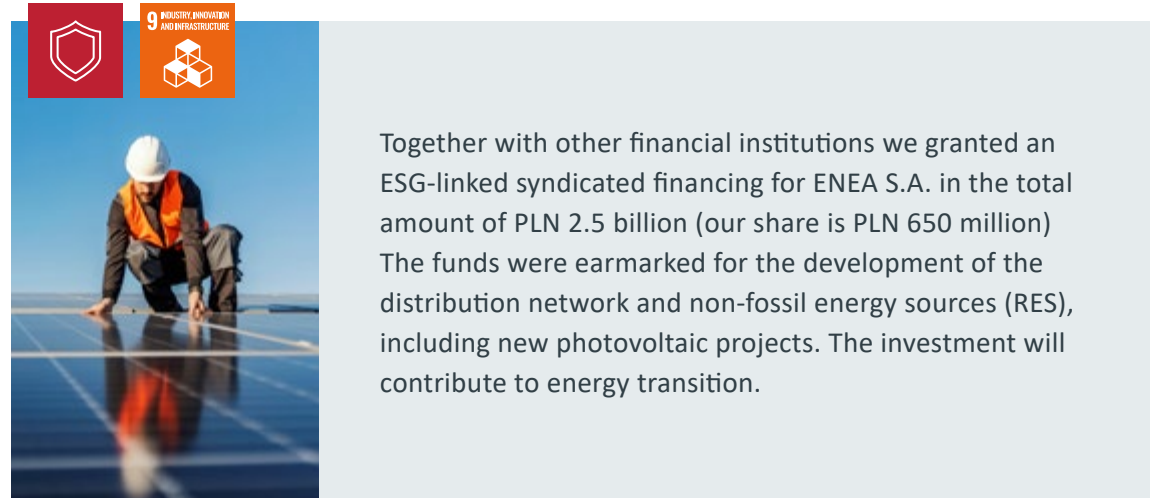
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companies for wind power projects (offshore and onshore), photovoltaics, development of low-carbon hydrogen technologies and the modernisation of existing power plants and the power grid.

Examples of financing granted in 2023:

- financing of the construction of photovoltaic farms in the form of purchase of green bonds issued by R.Power.



Together with other financial institutions we granted an ESG-linked syndicated financing for ENEA S.A. in the total amount of PLN 2.5 billion (our share is PLN 650 million) The funds were earmarked for the development of the distribution network and non-fossil energy sources (RES), including new photovoltaic projects. The investment will contribute to energy transition.

Industrial development

By providing loans and guarantees we supported investment in the green transformation of the industry. Financing was granted to projects aimed at reducing greenhouse gas emissions, improving the energy efficiency of businesses and promoting circular economy. We focus on the transition towards Industry 4.0, which will contribute to reducing the environmental impact of industrial activities by streamlining technological processes.

Examples of financing granted in 2023:

- syndicated financing in the form of sustainability linked-loan (SSL)²⁴ for Jastrzębska Spółka Węglowa for investment projects to reduce greenhouse gas emissions,
- SLL syndicated financing for the Tele-Fonika Kable Group for expansion of its production capacity (adjustment of the margin depending on the achievement of environmental indicators),



We granted an investment loan with a guarantee from KUKE and a bridge investment loan to HiProMine S.A. for the equivalent of about PLN 158 million. The investment involves the construction of a new plant for the production of feed for animals (high-value insect protein) and an insect breeding Genetic Centre. Through this funding, we supported an innovative protein production project of global significance, also contributing to significant reduction of pollutant emissions in line with the zero waste principle.

Infrastructure, transport and logistics

We support the development of sustainable and integrated transport infrastructure and a system of transport services. At the same time, we ensure that the financing is granted to support solutions that limit the adverse environmental impact of transport and the loss of biodiversity. We finance development of projects related to railway infrastructure, intermodal transport and modernisation of rolling stock. We seek to increase the number of operations in freight and passenger rail transport as the least carbon-intensive mode of transport. The goal of our financing is also to reduce the emissions of transport through replacement of the bus fleet to low- and zero-carbon vehicles and development of infrastructure enabling the use of alternative fuels in public transport.

²⁴ Loan linked to sustainable development goals.

Examples of financing granted in 2023:



We provided Orlen S.A. with:

- a PLN 12 million investment loan. The objective of the investment project is to build five hydrogen filling stations to be launched by July 2025.
- a PLN 5 million investment loan. The objective of the investment project is to build EV charging stations to be launched in November 2025.

- financing of development projects in the Pomeranian region, including rail public transport in the Pomeranian region, by financing the purchase of rail vehicles for passenger service, electric multiple units and multiple units with hybrid (electric and diesel) propulsion.



Entrepreneurship development

We analyse environmental indicators while granting loans for technological innovations to small and medium-sized enterprises. A positive environmental impact of the project may involve e.g. savings in energy or raw materials and the marketing of recyclable/repairable products or products with extended life cycle. The environmental targets are achieved by meeting the objective measures declared by entrepreneurs. Enterprises are obliged to achieve the target values of such indicators upon or immediately after project completion as well as to maintain them for a specified period of time.

Examples of projects that received funding in 2023:

- thermal efficiency upgrade of production halls and installation of RES systems,
- recovery and recycling of metals from bulky and composite material waste,
- investments in modern urban lighting – street lamps and smart city lighting management systems.



Social and territorial cohesion

In 2023, we used a range of financial instruments (including financed from EU funds and flow funds) to support investments pursued by local governments that had a positive impact the environment and climate. These included:

- loans for regeneration projects in five provinces (Mazowieckie, Małopolskie, Pomorskie, Śląskie and Wielkopolskie),
- loans for projects aimed at improving energy efficiency and developing RES installations at SMEs and in public buildings in three provinces (Wielkopolskie, Opolskie and Dolnośląskie),
- loans, investment and working capital facilities supporting the regeneration of public space, including parks and natural water bodies, construction of water and sewage infrastructure, green and blue infrastructure²⁵, purchase of low-carbon public transport fleets.

Examples of financing granted in 2023:



We granted a PLN 38 million loan to the town of Otwock for, among other things, adaptation to climate change. One of the implemented activities is the design of construction of flood protection reservoirs and rainwater retention basins, which in the future can be also used for tourist and recreational purposes.

²⁵ Green-blue infrastructure includes retention ponds, basins, reservoirs, bioswales, infiltration trenches, rain gardens, green stops, roofs, facades and walls, permeable paving, structural substrates, green areas and wetlands, etc.



We advanced a PLN 21.8 million investment loan to Sądeckie Wodociągi for the modernisation of the wastewater treatment plant and water treatment system, as well as expansion of the water and sewage network. The project is environmentally and socially oriented. Approximately 100 houses will be connected to the water supply system and 74 to the sewer system. The living comfort of residents will be improved and operating costs will be reduced.



Housing

The programme offers solutions to support energy efficiency improvement in multi-family buildings through thermo modernisation projects based on RES, as well as the construction of new buildings with high energy efficiency using RES and hydrogen technologies (hydrogen as a heat source). Funding is also provided for projects designed to improve air quality in Poland and reduce the problem of smog by cutting low-stack emission.

In 2023, as part of the government TERMO Programme, we awarded more than 3,000 subsidies totalling nearly PLN 333 million. This will reduce annual carbon emissions by 41,000 tons – an amount absorbed each year by more than 9 million trees²⁶. Thanks to these projects 68 MW of renewable energy will be produced annually.

Examples of projects that received funding in 2023:

- RES grant from the TERMO Programme provided to a housing community for the installation of three heat pumps and photovoltaic panels. As a result of the investment, carbon emissions will be reduced by 33 tonnes per year,
- more than PLN 20 million of non-repayable construction support from the Subsidy Fund provided to a city for the construction of a housing estate using environmentally friendly solutions (rain gardens, eco friendly building materials, photovoltaic systems, ground and air

heat pumps and maximum use of rainwater),

- more than PLN 7 million of non-repayable construction support from the Subsidy Fund provided to a city for the construction of a night shelter and a warming centre. The facility will be not only energy-efficient, thanks to the installed photovoltaic system and a heat pump, but also environmentally friendly – rain gardens, a tank for rainwater to be used for watering, and permeable paving will be built.

In 2023, we also provided guarantees for the repayment of loans from commercial and cooperative banks under the Clean Air programme (in cooperation with the National Fund for Environmental Protection and Water Management). We provided 577 guarantees for a total amount of more than PLN 27 million. In 2023, we managed 22 agreements for low-carbon projects to be implemented by local governments in cooperation with the Ministry of Climate and Environment and the National Fund for Environmental Protection and Water Management under the Stop Smog programme.

Commissioned activities – government Strategic Investment Programme

In 2023, about one-third of the projects that received a funding commitment under the government Strategic Investment Programme were related to environmental protection. They included local investments made by local governments in the area of wastewater treatment, water treatment, sewerage systems, drainage, waste management, brownfield redevelopment and urban greenery.

Financing of the power and fossil fuel sectors

We play a special role in financing Poland’s energy transition. Our priority is to ensure national energy security. While this may involve providing financing with a higher level of ESG risk, it is essential for maintaining the stability of the economy and meeting Poland’s current energy needs. In 2023, we supported the fossil fuel sector (coal, oil, liquid fuels, natural gas) with PLN 7.7 billion (PLN 10 billion less than in 2022).

²⁶ According to our own calculations based on, among other things, national averages quoted by KOBIZE, data from Statistics Poland and the EU Emissions Trading System (EU ETS).

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TABLE 21. Financing provided to companies in the fossil fuel and power industries in a given year (PLN million)

Item	2023	2022	2021	YoY change	
				in nominal terms	%
Support for the economy under the Strategic Security programme, including:	53,953	109,761	10,969	-55,808	-51%
Commissioned activities and activities conducted at own risk, including in the following sectors:	27,704	52,211	8,896	-24,507	-47%
power	16,338	8,405	2,559	7,933	94%
gas	101	9,486	4,176	-9,385	-99%
coal mining	1,900	3,241	246	-1,341	-41%
fuel	5,678	5,231	518	447	9%
Total:	24,016	26,363	7,499	-2,347	-9%

In 2023, financing provided as part of the Strategic security programme accounted for about half of the amount provided in 2022. Growth is observed in the energy sector, while other industries recorded levels similar to or lower than a year earlier.

In the energy sector, significant volatility compared to 2022 was recorded in both supply and prices in the markets, which were largely due to Russia’s aggression against Ukraine and the efforts made towards energy transition in Poland. The increase in the need for working capital and investment financing directly resulted from:

- protection of electricity consumers and the price freeze,
- measures aimed at reducing climate change and improving air quality through investments in RES,
- increased investment in upgrading and expanding existing infrastructure,
- the need to secure a sufficient supply of raw materials of appropriate quality on the Polish market.

The gas, coal and mining markets in 2023 were not subject to such significant fluctuations in commodity prices as in 2022. In addition, the demand and supply of gas and coal balanced out, hence the need for new liquidity financing for entities operating in the gas, coal and mining sectors was significantly lower than a year earlier.

The financial sector has a strong indirect negative impact on biodiversity loss through financing activities related to food and beverage production, construction of property and linear transportation infrastructure, energy production, mining and retail trade²⁷. We are preparing to measure this impact in future years and minimise the process of biodiversity loss in Poland.

Transparency in creation of the content of this report, i.e. disclosure of both positive and negative impacts of the Bank on the environment, was one of the topics raised by our stakeholders during the dialogue meetings held in 2023.

Impact on the environment and climate – outlook for the coming years

We are currently working on decarbonisation pathways in each sector, as indicated in the introduction to Section V.I. They will form the basis for us to set long-term goals. In the area of energy transition, issues that we consider as the most important in the coming years is Poland’s



²⁷ <https://www2.deloitte.com/pl/pl/pages/zarzadzania-procesami-i-strategiczne/articles/Raport-Nature-and-Business-Navigating-Risks-and-Opportunities-in-a-Changing-Landscape.html>

energy security, elimination of energy poverty and support for zero-carbon energy sector initiatives. We do not exclude further funding of fossil fuel assets, if it is necessary to stabilise the energy sector, but it will be provided only if it is necessary to:

- ensure energy security or
- reorganise the power sector, with the proviso that entities freed from generation assets based on fossil fuel will as of that time carry out only sustainable investments in low-/zero-carbon assets or supporting the development of zero-carbon assets (e.g. expansion, upgrade and automation of distribution and transmission networks, development of energy storage etc.).

We will continue to support the transition of the power sector to a low- or zero-carbon model that is able to respond to the rapidly growing demand for electricity. We plan to finance the development of the distribution network to ensure that new RES capacity can be connected, the construction of new onshore RES capacity and offshore wind farms, and the construction of new biogas plants and installations using biogas, biomethane and biomass. We will directly and indirectly (e.g. through a guarantee scheme) finance energy storage, grid automation, green hydrogen production and storage, nuclear power generation and energy efficiency improvement projects.

In the coming years, we will continue cooperation as part of the Clean Air programme, especially in areas most affected by smog. We will also continue to implement energy efficiency measures in residential buildings and to promote greater reliance on renewable energy.

We intend to increase funding for investments related to the zero-carbon transition of the industry, reduction of water consumption, recycling and development of technologies for re-use of waste. In the SME sector, we will continue to fund enterprises' efforts in innovation and solutions related to circular economy and energy efficiency. In the next few years, our positive impact on the environment and climate will increase owed to financing of low- and zero-carbon public and individual means of transport and development of infrastructure enabling the use of alternative fuels in transportation.

As a first step in the introduction of sustainable financing aligned with EU taxonomy²⁸, in 2023 we have prepared an offer called "Financing to support sustainable investment". It is targeted at companies that are planning an investment that makes a significant contribution to achieving environmental and climate goals of the European Union. The offer involves financing of:

- purchase of urban transport vehicles,
- investment in a water and sewer networks,
- construction and modernisation of phosphorus recovery facilities,
- purchase of vehicles for selective collection and transportation of hazardous waste,
- construction and assembly of PV installations,
- leakage control technology,
- wastewater collection and treatment systems,
- battery production,
- recovery of materials from waste.

For each type of investment, we have indicated one technical criterion that must be met in order to receive a cheaper investment loan or working capital facility for VAT (if applicable). As a result, the offer can also be used by companies that are new to the EU taxonomy and rules of its application²⁹.



In cooperation with other banks, we provided syndicated financing to Great Wind Sp. z o.o. for a total of PLN 800 million (BGK's share was PLN 225 million). The investment involves the construction of a wind farm in Człuchów (Pomorskie province) with a total capacity of 72.6 MW. This is yet another step in the process of Poland's energy transition.

²⁸ The EU taxonomy defines activities and criteria that an investment must consist of and meet to be considered as contributing to the achievement of environmental and climate goals.

²⁹ Read more about the BGK's new offer on the [website](#) of the Bank.



We provided SLL (Sustainability Linked Loan) financing to Jastrzębska Spółka Węglowa for eq. PLN 349 million. The purpose of the funding is to support environmental investments aimed at, among other things, reducing greenhouse gas emissions (methane and coke oven gas) and using them for energy production. In addition, working conditions will be improved through the construction of central underground air conditioning.

1.2. Impact on the environment and climate through our operations

3-3 Topic: Climate change

Our impact on the environment, including climate change, primarily results from our financing activities. We also have a marginal impact through our operations, including mostly through energy and water consumption in buildings, fuel consumption in vehicles, as well as products and services purchased and waste generated. That is why, among other things, we attach great weight to proper waste management, we reduce the use of plastic packaging thanks to drinking water filtering devices, and use a tool for optimising the choice of the means of transportation in business trips based on criteria such as distance, number of passengers and purpose of the trip.

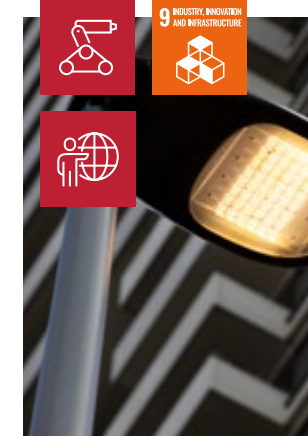
Energy and fuels

GRI 302-1, GRI 302-2

Energy consumption in 2023 takes into account consumption at each of the Bank's locations, excluding foreign offices. Electricity consumption at the head office at al. Jerozolimskie in Warsaw currently under renovation is disclosed as consumption outside of the organisation. The total energy consumption also includes BGK's subsidiary Vinci S.A.

TABLE 22. Energy consumption at BGK and the subsidiary and energy consumption outside of the organisation (GJ equivalent)

	2023		2022	
	bank	Vinci S.A.	bank	Vinci S.A.
Electricity ³⁰	3,803.5 GJ	12.6 GJ	4,208.4 GJ	6.9 GJ
Thermal energy	7,373.9 GJ	162.9 GJ	8,816.4 GJ	94.2 GJ
Chilled energy	3,199.0 GJ	-	3,600.8 GJ	-
Gasoline	10,574.4 GJ	91.2 GJ	9,138.3 GJ	70.8 GJ
Diesel	49.7 GJ	-	410.6 GJ	-
Total	25,000.4 GJ	266.7 GJ	26,174.4 GJ	171.9 GJ
External electricity consumption³¹	6,462.7 GJ		3,432.0 GJ	
Energy and fuels combined - bank and Vinci³²	31,729.8 GJ		29,778.3 GJ	



We provided day-to-day financing to Lug Light Factory Sp. z o.o. for a total of PLN 54.5 million.

The transaction provided funds for a project to replace street lighting fixtures in Warsaw with modern and energy-efficient ones. The investment reduces energy consumption and is in line with the strategic goal of "Functional space" in the capital.

³⁰ BGK did not use own renewable energy sources

³¹ Includes energy consumption in external server rooms and in the head office at al. Jerozolimskie in Warsaw currently under renovation

³² During the revision of the integrated report, the fuel consumption unit was converted to gigajoule (GJ) for 2022.

Total energy and fuel consumption at BGK and its subsidiary in 2023 was 31,730 GJ, up 6.6% over 2022. The recorded increase was mainly due to the higher consumption of fuel in company cars, in particular gasoline (an increase from 273,000 litres in 2022 to 316,000 litres in 2023), and higher consumption of electricity outside of the organisation. The change stemmed from, among other things, replacement diesel cars with gasoline engines.

At the same time, heat consumption decreased (from 8,816 GJ in 2022 to 7,374 GJ in 2023). This was mainly due to the disposal of own real estate in Gdańsk and Toruń and the ongoing renovation of the head office at al. Jerozolimskie in Warsaw.

GRI 302-3

Energy and fuel consumption, accounting for energy consumed outside of the organisation, per number of persons employed (employees of the Bank and the subsidiary) was 13.6 GJ/person in 2023 vs. 16.95 GJ/person in 2022. Lower energy intensity ratio results from higher employment.

In calculating the ratio, 15 employees of Vinci S.A. were taken into account (10 employees in 2022).

Greenhouse gas emissions

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4 TCFD 4.B

The calculation of total greenhouse gas emissions in 2023 covered the Bank's emissions (i.e. emissions of the head office and 16 regional offices, three foreign offices and the registered office at al. Jerozolimskie in Warsaw undergoing renovation).

As in 2022, the calculation of the Group's carbon footprint included the total greenhouse gas emissions of the subsidiary Vinci S.A. The other subsidiaries were not included in this year's calculation as their activities are non-operational.

The carbon footprint calculation for 2023 was based on the GHG Protocol in the following scopes:

- Scope 1 – direct emissions, e.g. from combustion of fuel in vehicles,
- Scope 2 – energy indirect emissions from the generation of purchased electricity and heat,
- Scope 3 – other indirect emissions identified in the supply chain (limited scope) in the following categories:
 - purchased goods and services (category 1),
 - fuel- and energy-related activities not included in Scope 1 or Scope 2 (category 3) – included in the calculation for the first time,
 - upstream transportation and distribution (category 4),
 - waste generated in operations (category 5),
 - business travel (category 6),
 - employee commuting and teleworking (category 7).

In the calculation of GHG emissions for 2023 the scope of the collected data was expanded, allowing the emissions associated with used office space in London, Brussels and Frankfurt to be covered. In the calculation of emissions associated with the production of electricity consumed, the assumed emission factors were adjusted. In 2023, the Bank did not use energy generated from renewable sources, thus the residual mix indicator was considered more appropriate in the market-based method than the carbon intensity and fuel mix data published on energy suppliers' websites that had been used previously. We decided to recalculate greenhouse gas emissions for 2022 accordingly.

With regard to other indirect emissions, reported in Scope 3, we made a preliminary analysis for the potential materiality of all categories listed in the GHG Protocol, as a result of which the calculation included a new category covering emissions related to, among other things, fuel production and losses in transmission and distribution of used energy reported in Scope 1 and 2.

Work is underway at the Bank to calculate the carbon footprint from its loan and investment portfolio (category 15 according to the GHG Protocol). We will publish the results of the calculations in our next ESG risk disclosure report (i.e. in the third quarter of 2024).

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We provided a detailed description of the methodology for calculating the carbon footprint for 2023 in [Appendix 6](#) to this report.

The calculation results are presented as aggregate volumes in the table below by emission scope, with an indication of emissions generated by the Bank and the subsidiary Vinci S.A.

TABLE 23. Total Scope 1, scope 2 and limited scope 3 greenhouse gas emissions (tonnes of CO₂eq)

Emission source	2023				2022			
	Bank	Vinci S.A.	Total emissions	Structure	Bank	Vinci S.A.	Total emissions	Structure
Scope 1 – direct emissions [t CO₂eq/year]								
Cars (gasoline, diesel oil)	750.8	6.4	757.3	99.9%	676.6	5.0	681.6	98.4%
Cooling (refrigerants)	0.5	0.0	0.5	0.1%	-	-	0.0	0.0%
Heating (natural gas)	-	-	-	0.0%	11.1	-	11.1	1.6%
Total – Scope 1	751.3	6.4	757.7	100%	687.7	5.0	692.7	100%
Scope 2 – energy indirect emissions [t CO₂eq/year]								
2023								
2022								
Scope 2 – energy indirect emissions [t CO₂eq/year]								
Electricity ³³ (market-based)	906.6	3.0	909.6	41.1%	993.9	1.6	995.5	43.8%
Electricity ³³ (location-based)	687.6	2.3	689.9	34.7%	778.6	1.3	779.8	37.9%
Heat and cooling ³⁴	1,277.2	19.7	1,296.9	58.6% 65.3%	1,266.9	9.6	1,276.5	56.2% 62.1%
foreign offices	5.7	-	5.7	0.3%	-	-	-	0.0%
Total – Scope 2 (market-based)	2,189.5	22.7	2,212.2	100%	2,260.8	11.2	2,272.1	100%
Total – Scope 2 (location-based)	1,964.8	22.0	1,986.7	100%	2,045.5	10.9	2,056.4	100%

³³ Includes energy consumption at the Bank's offices, excluding the registered office under renovation and energy consumed by external server rooms

³⁴ Percentages are shown broken down by market-based and location-based calculation results

Emission source	2023				2022			
	Bank	Vinci S.A.	Total emissions	Structure	Bank	Vinci S.A.	Total emissions	Structure
Scope 3 – other indirect emissions (limited scope) [t CO₂eq/year]								
Purchased goods and services ³⁵ (category 1)	1,723.6	0.7	1,724.3	47.4%	46.5	0.7	47.2	3.1%
Fuel- and energy-related activities not included in Scope 1 or Scope 2 ³⁶ (category 3)	345.1	-	345.1	9.5%	-	-	-	0.0%
Upstream transportation and distribution (category 4)	1.2	-	1.2	0.0%	0.5	-	0.5	0.0%
Waste generated in operations (category 5)	0.9	-	0.9	0.0%	1.0	-	1.0	0.1%
Business travel (category 6)	522.2	5.8	528.0	14.5%	427.6	1.0	428.6	27.7%
Employee commuting and teleworking (category 7 according to the GHG Protocol)	1,040.8	-	1,040.8	28.6%	1,067.9	-	1,067.9	69.1%
Total – Scope 3 (limited)	3,633.8	6.5	3,640.3	100%	1,543.5	1.7	1,545.2	100%

TABLE 24. Summary of GHG emission calculation results and amount per employee (tonnes of CO₂eq)

Emission source	2023			2022		
	Bank	Vinci S.A.	Total emissions	Bank	Vinci S.A.	Total emissions
Total – Scope 1, 2 (market-based) and 3 (limited)	6,574.6	35.6	6,610.2	4,492.1	18.0	4,510.0
Total – Scope 1, 2 (location-based) and 3 (limited)	6,349.9	34.9	6,384.8	4,276.7	17.6	4,294.3
Total – Scope 1, 2 (market-based) and 3 (limited) per employee ³⁷	2.8	2.4	2.8	2.2	1.8	2.2
Total – Scope 1, 2 (location-based) and 3 (limited) per employee ³⁷	2.7	2.3	2.7	2.1	1.8	2.1

The Group's total GHG emissions in 2023 were approximately 6,385 tonnes of CO₂eq (emissions calculated with the location-based method) and about 6,610 tonnes of CO₂eq (with the market-based method).

The obtained results were mainly driven by the expansion of data collected in Scope 3 (other indirect emissions), in particular in category 1 (purchased goods and services) – by adding emissions from energy consumption by external server rooms and in the registered office at al. Jerozolimskie in Warsaw undergoing renovation.

In addition, the calculations for the year under review for the first time also covered emissions from e.g. extraction, production, transportation or distribution of used fuels and energy (category 3 – energy and fuels not included in Scope 1 and 2).

³⁵ Includes purchased goods and services with energy consumption by external server rooms and in the building at al. Jerozolimskie in Warsaw undergoing renovation

³⁶ The category covers emissions related to, e.g. extraction, production, transportation or distribution of used fuels and energy – included in the calculation for the first time

³⁷ GHG emissions per employee were calculated as the quotient of the calculated GHG emissions and 2,320 employees of the Bank and 15 employees of Vinci S.A.

Compared to 2022, direct emissions (Scope 1) of the Group increased in 2023 by some 9% and amounted to 758 tonnes of CO₂eq, of which approximately 99.4% were emissions resulting from the combustion of fuels in vehicles and only about 0.5% were related to the escaped refrigerants. The own property, which had an active boiler room powered by natural gas, was sold.

Indirect energy emissions (Scope 2) in 2023 amounted to 1,987 t CO₂eq based on the emission factor published by the National Centre for Emission Balancing and Management (KOBIZE), and 2,212 t CO₂eq when taking into account the residual mix. In 2023, the Bank did not use any own renewable energy sources and did not hold any purchased RES certificates of origin.

The remaining (Scope 3) indirect emissions in 2023 were 3,640 tonnes of CO₂eq, of which about 47% were emissions related to purchased materials and services (category 1 according to the GHG Protocol), 28.6% accounted for emissions resulting from commuting to work by the Bank's employees (category 7), and 14.5% was due to business travel (category 6).

TABLE 25. GHG emissions at the Bank and the subsidiary in 2023 (tonnes of CO₂eq)

BGK Group's carbon footprint	2023
Scope 1	758
Scope 2 - location-based	1,987
Scope 2 - market-based	2,212
Scope 3 - incomplete	3,640

GRI 303-3

TABLE 26. Water withdrawal by BGK (m³)

	2023	2022
water	5,698	5,044

In 2023, the Bank used only municipal water. The data includes estimates of water consumption at the Bank's locations for which no accurate information was available to the Bank (e.g. data from invoices or meter readings). The estimates are based on average water consumption per employee.

GRI 306-3

TABLE 27. Waste generated by BGK classified in accordance with waste codes (tonnes)

Waste code – category	2023	2022
15 01 06 – mixed packaging ³⁸	2.5	28.6
15 01 02 – plastic packaging	8.2	2.8
15 01 05 – composite packaging	2.2	2.1
15 01 07 – glass packaging	2.5	-
15 01 01 – paper and cardboard packaging	8.5	1.9
16 03 80 – expired food products or unsuitable for consumption	2.7	-
16 02 14 – discarded equipment other than those mentioned in 16 02 09 to 16 02 13	1.3	10.8
16 06 05 – other batteries and accumulators	0.1	0.1
20 01 99, 20 03 01, 20 03 99 – mixed municipal waste ³⁹	13.3	1.4
Total	41.2	47.7

The data for 2023 also includes estimates of the volume of waste directed for disposal as for certain locations of the Bank no accurate data was available (e.g. waste transfer notes). The estimates are based on average amount of waste generated per area of use.

³⁸ Estimates are included based on available data

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GRI 301-1

TABLE 28. Paper used at BGK and the subsidiary (number of A4 sheets and in kg)

	2023		2022		
	Bank	Vinci S.A.	Bank	Vinci S.A.	
Paper consumption	904,994 sheets	4,525 kg	857,235 sheets	4,386 kg	33 kg

In 2023, a slight increase in paper consumption at the Bank was observed relative to 2022. Vinci S.A. used paper purchased in 2022.

Refurbishment of BGK’s site, temporary office in the Varso building

The alteration of BGK’s head office building, which was built between 1928 and 1931, commenced in 2020 and has continued to date. The works include implementation of environmentally friendly solutions (e.g. green energy production) and solutions increasing the energy efficiency of the building, enhancing security or raising the working standard.

The temporary office located at the Varso 2 building has been awarded with BREEAM and WELL certificates for the application of modern energy efficient solutions.

1.3. 3W Idea

GRI 3-3 Topic: Climate change

SDG 6, SDG 7, SDG 9, SDG 13

3W is our initiative that supports sustainable socio-economic development of Poland. It creates an environment conducive to combining intellectual and material resources for the benefit of innovative technologies in the area of water, hydrogen and carbon nanotechnology. We have developed mechanisms for the integration and support of entities involved in innovation development processes at different levels. We believe that through these efforts we effectively stimulate and accelerate development and commercialisation of key technologies for Poland. They address the major civilisational challenges of reducing the use of natural resources, water

retention and protection, low-carbon energy transition based on green hydrogen and the use of carbon in non-energy applications by supporting and developing nanomaterial innovations and their applications in different industries.



By undertaking the 3W Initiative, we have assumed the role of an integrator of different environments in order to promote sustainable development of Poland.

3W Interdisciplinary Innovation Centre

The 3W initiative already has more than 200 partners, including 40 scientific entities across Poland. The 3W Interdisciplinary Innovation Centre (3W IIC) was established, where we create study and training programmes related to 3W, we support scientists in searching for partners and financial resources for the development of projects.

Representatives of the 3W IIC are also preparing the assumptions for a hydrogen certification system that will not only confirm the origin of hydrogen, but also enable the production process to be monitored for greenhouse gas emissions. This marks an important step on the path to safe and clean energy and a key stage in the process of hydrogenation of the Polish economy. The 3W IIC is also creating an independent 3W technology validation centre to address the need for objective and independent verification of innovative projects at early stages of technological readiness.

Events

3W Idea representatives took part in numerous national and regional events, where they presented the assumptions of the 3W Idea to stakeholders. We were present at important economic and

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industry events in Poland, including Impact, Local Trends, H2Poland. Moreover, in cooperation with the Polish Investment and Trade Agency, we participated in a hydrogen mission to Japan. We visited Fukushima Prefecture and Fukushima Hydrogen Energy Research Field (FH2R) in Futaba, as well as two important hydrogen centres – Kawasaki and Yokohama. We also attended the COP28 climate conference in Dubai, where world leaders set directions for limiting the rise in global temperature and mitigating the effects of climate change. We firmly believe that water, hydrogen and carbon are the answer to the challenges ahead.

3W community platform

We observe huge interest in the 3W Initiative, which is why we are developing tools that help manage the 3W community. The 3W community platform, inaugurated during the 3rd 3W Congress, provides space where users have constant access to the latest reports, industry analyses and specialist articles, and where they have an opportunity to connect with industry leaders, talk about their projects, or seek support.

3W Congress

In November 2023, during the 3rd 3W Congress, we presented the report: “3W World. Reality and Future,” prepared by organisations involved in developing technologies from the areas of water, hydrogen and carbon. The 3W Congress itself served as a good opportunity to exchange experiences and knowledge for nearly 1,500 entrepreneurs, representatives of science and public administration, as well as NGOs and young talents. The Congress was also attended by guests from abroad, who discussed not only the international potential of 3W, but also highlighted the importance of the 3W concept itself in addressing the present challenges in Central and Eastern Europe.

3W Challenge contest

During the 3W Congress, we announced the launch of the 3W Challenge competition, in which in 2024 we selected three projects that won comprehensive support in the form of venture

building services. The outcome of the several-month-long process will be to raise the investment readiness of the competition winners.

For more information on the initiative, see the 3W Idea [website](#).

2. Social commitment

GRI 3-3 Topic: Local community development

We support the sustainable development of Poland in both social and economic dimensions. Positive changes in the economy drive the development of society, and vice versa: an active society integrated around common goals is able to contribute more effectively to economic development. Our role in developing social capital and fostering equal opportunities is reflected in our support for education, culture and sports and respect for the environment.

We pursue the social dimension of BGK’s mission e.g. through the following:

- activities as part of BGK’s business model programmes and government programmes, which we discuss further in [Section II.2 Business model programmes as a response to market needs](#) as well as in Subsection [2.1](#) and [2.2](#),
- cooperation with representatives of local communities, local governments, non-governmental organisations and public institutions – for a more detailed description, see Subsection [2.4](#), [2.5](#) and [2.8](#),
- activities for social economy entities (SEEs) described in more detail in Subsection [2.3](#),
- activities of foundations set up by BGK described in Subsection [2.7](#),
- implementation of own social projects and volunteer work, as described in Subsection [2.5](#) and [2.8](#),
- supporting accessibility for people with special needs, for more information see Subsection [2.6](#). on the Accessibility Fund and [Section III.4 Diversity management](#), as well as on the [website](#) of the Bank,
- flow funds described in [Appendix 1](#), EU programmes described in [Appendix 2](#), other programmes and delegated tasks described on the [website](#) of the Bank.

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Social commitment policy

■ GRI 2-23, GRI 2-24

The overarching goal of our policy is to build and stimulate social capital. The intended outcome of our efforts is the activation of various social groups and maximisation of social capital through initiatives based on public interaction and competencies.

BGK plays an important role of an initiator and animator of activities and in the inclusion of the civil society – our goal is to anchor certain attitudes and behaviours in local communities, so that they ultimately take the lead in developing (or at least maintaining) the level of local activity. BGK’s social commitment has an integration and activation effect – we want to share the profits generated with the society and at the same time stimulate social activity. We encourage our partners and stakeholders to take action fostering social development and building social capital.

2.1 Housing development

■ SDG 10, SDG 11, SDG 13

We co-create and implement programmes supporting the development of housing through:

- debt financing for entities in the social rental housing sector (SRH),
- non-reimbursable financing for rental housing, particularly municipal housing,
- support for thermal modernisation and renovation of residential buildings,
- refinancing of the cost of use of renewable energy sources.

By funding housing investments, we achieve many of our goals related to social commitment. We particularly support local government units (LGUs) in their activities targeted at people at risk of social exclusion.

Thermo-modernisation and Renovation Fund

The Thermo-modernisation and Renovation Fund is used for the provision of:

- thermo-modernisation bonuses,
- renovation bonuses,
- compensation bonuses (for losses related to the rental of lodging units (Polish: lokal kwaterunkowy)),
- MHS grants (for improving the technical condition and energy efficiency of municipal dwelling stocks).

In 2023, we implemented new instruments funded under the National Recovery and Resilience Plan (NRRP). Bonuses are financed from the state budget funds administered by the Minister of Development and Technology. Grants are financed from EU funds or the Polish Development Fund. All instruments are available under the common name of the TERMO Programme. The MHR grant and the thermo-modernisation grant may be provided in addition to the bonuses awarded from the fund. The RES grant is an instrument financed from EU funds without the involvement of national resources. All of these instruments support energy efficiency improvements and replacement of heat generators in multi-family housing.

The investments that we subsidise improve the technical condition of the existing dwelling stocks and reduce their operating costs. Thanks to thermo-modernisation and renovation projects completed using the TERMO Programme instruments, the energy efficiency of buildings is increased, which reduces heating costs for residents.

The RES grant is very popular. The support increases the share of renewable energy sources (RES) in the national energy mix and lowers the operating costs of buildings. The energy savings is the highest when hybrid solutions are used, such as combining a heat pump with a photovoltaic system that powers it.

By investing in energy efficiency improvement and renewable energy sources, we reduce CO₂ emissions and make a significant contribution to cutting down smog. This has a positive impact on the health of residents and the look of the surroundings. For more information, see [Section V.1.1. Impact of our financing on the environment and climate](#) and [Appendix 1](#).

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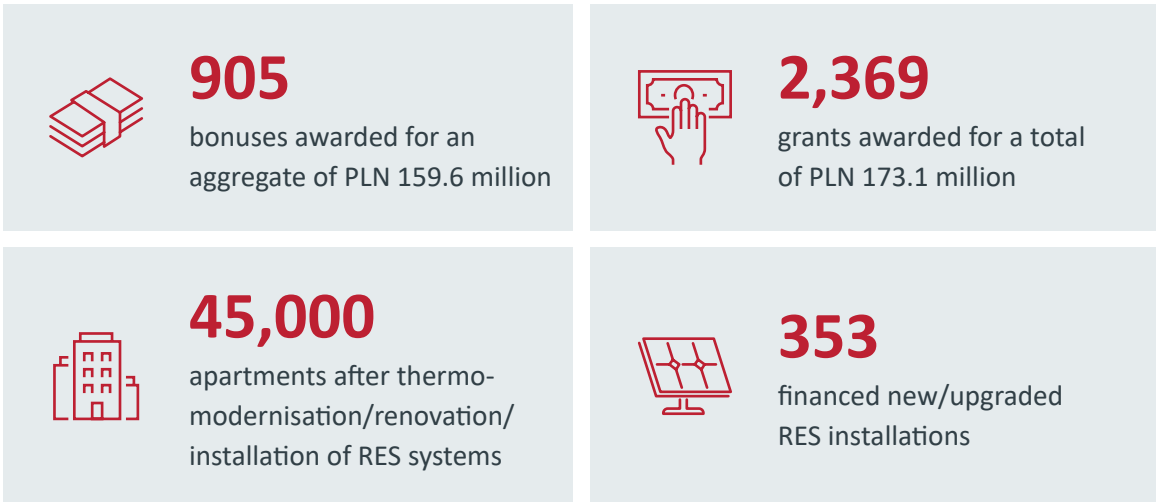
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TERMO programme in 2023 in numbers:



Government Housing Fund

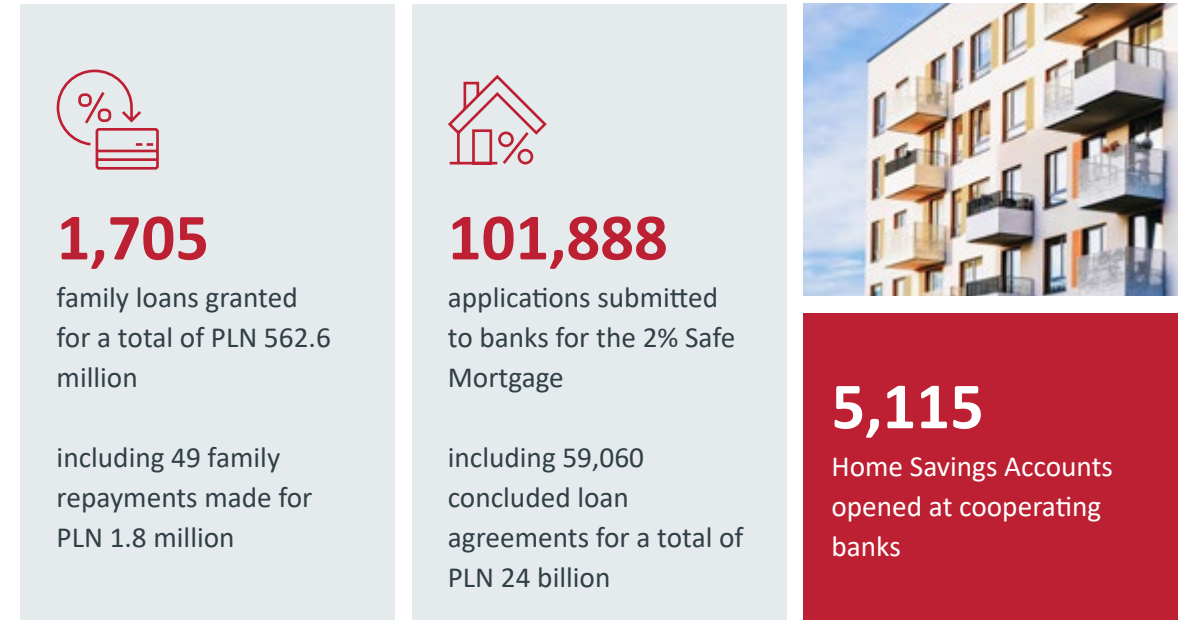
In 2023, we began operating two instruments financed by the Government Housing Fund (GHF):

- 2% Safe Mortgage (subsidies to mortgage loans for the purchase of a first apartment),
- Home Savings Account (support for regular saving for housing purposes).

These instruments are financed from the state budget funds administered by the Minister of Development and Technology.

We expanded our offer to include a guarantee for own contribution to the 2% Safe Mortgage. We also continued to offer the guarantee for own contribution to a Family Housing Loan. All activities related to family repayments, the 2% Safe Mortgage and the Home Savings Account are managed by banks we work with. BGK, as operator of the programme, is responsible for, among other things, disbursement of funds in the 2% Safe Mortgage, and for that purpose it cooperates with 13 lending banks. The Home Savings Accounts are operated by four cooperating banks, and the Family Housing Loan is offered at eight banks.

GHF in 2023 in numbers:



Subsidy Fund

The Subsidy Fund is used to provide non-repayable grants supporting social and municipal housing. The Subsidy Fund helps increase the number of apartments and dwellings serving to meet the needs of people on low and average incomes. The Act Amending Certain Acts Supporting the Housing Industry of 10 December 2020 (called the housing package) and amendments made in subsequent years maintained the interest in subsidies from the Subsidy Fund. We continue to finance initiatives that restore degraded areas to local communities and initiatives that support families raising children with disabilities. Buildings subsidised under the programme take account for the needs of people with disabilities and older adults. New solutions financed by the NRRP will provide support for the implementation of investments in energy-efficient housing construction for people of low or middle income.

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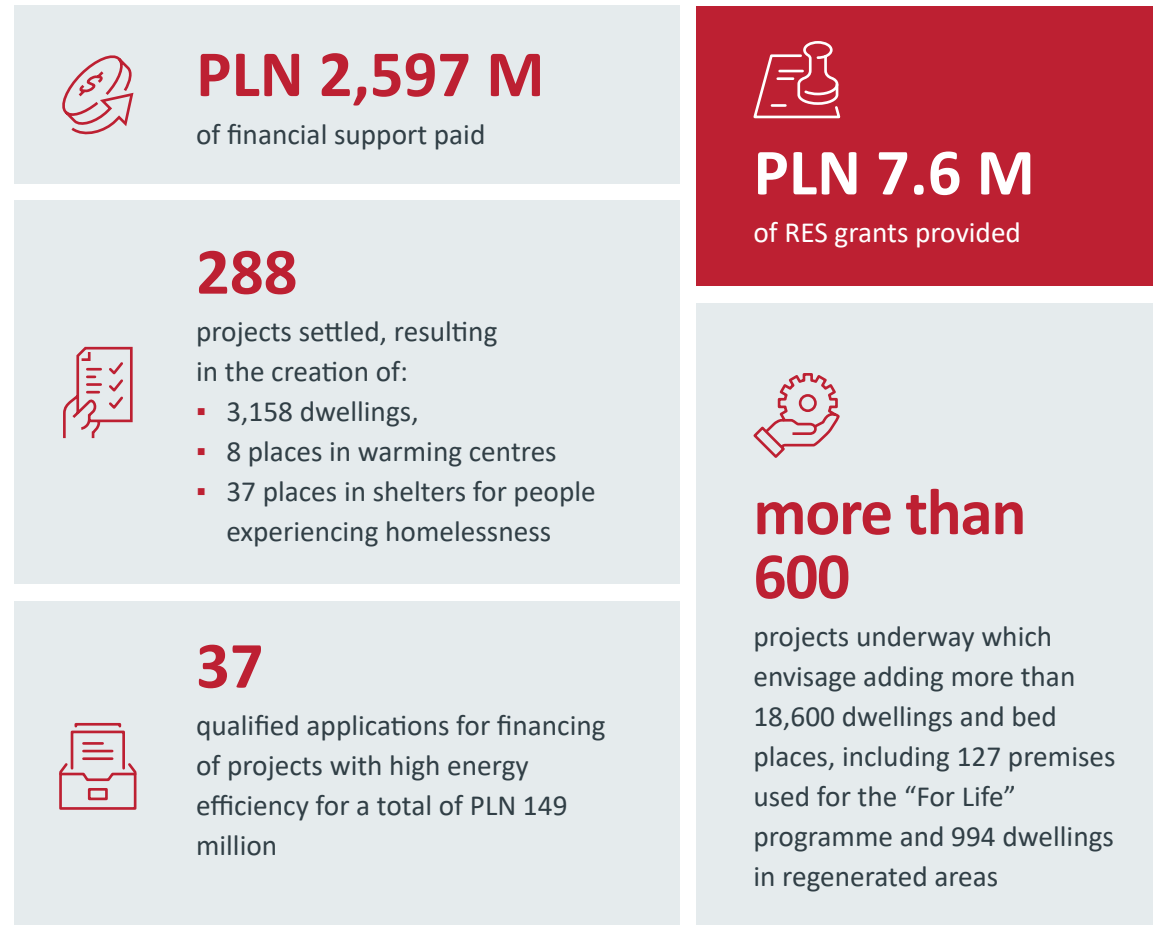
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The Subsidy Fund also provides financial support in the Housing for a Start programme. It takes the form of state subsidies to household expenses in the first years of tenancy. This support is targeted at moderate and lower income earners, mostly families with children, the disabled, young people and older adults. It helps them keep their rented apartments over a long period. These programmes are financed from the state budget funds administered by the Minister of Development and Technology.

Social and municipal housing in 2023 in numbers:



Social Rental Housing

In the government programme Social Rental Housing (SRH), using own funds we provide long-term loans on preferential terms to:

- social housing initiatives/social housing associations (SHAs),
- municipal companies,
- housing cooperatives.

The loans are to be used for the construction of rental housing with rents subject to a statutory cap and cooperative tenancy housing. As a complement to the SRH programme, we offer investors in this sector loans for the construction of social housing without any statutory restrictions, and retail outlets. The apartments supported by the loans are allocated to people whose income does not allow them to purchase an apartment in the market or to rent an apartment on commercial terms, but which at the same time is too high to enable them to apply for municipal housing. These investments are built to a high standard, with apartments completed on a turnkey basis. Investors make sure that the new buildings are energy efficient and are increasingly using renewable energy sources, thus ensuring low operating costs of housing units for tenants. SRH projects integrate well with the existing landscape and have high architectural value and in the buildings supported by the loans some investors designate apartments for the elderly or people with disabilities, as well as premises that meet the needs of local communities, e.g. for kindergartens, libraries and community centres. The qualities of SRH projects are confirmed by the awards provided to our borrowers in various competitions, including with an international scope.

SRH (preferential and construction loans) in 2023 in numbers:



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2.2 Regeneration and modernisation

When advancing regeneration loans (including the Jessica2 loan), we encouraged investors to complement commercial projects with elements that would have a positive impact on local communities. We offered them a reduced interest rate based on the so-called social index, which shows the strength of the project’s social impact. Our loans helped give socially, economically and environmentally degraded areas a new function or restore their previous function e.g. through modernisation and adaptation of buildings or development of public space.

By the end of 2023, using the funds entrusted to us, we directly financed 152 projects with a total amount of PLN 737 million, which will result in regeneration of more than 986.5 ha. In addition, we provided 924 financings for energy modernisation of residential and public buildings. We provided a total of more than PLN 614 million for energy efficiency measures. Support was provided under Regional Operational Programmes in the EU financial framework 2014–2020. For more information on EU programmes, see [Appendix 2](#).

2.3 Development of social economy entities (SEEs)

■ SDG 10, SDG 11

The social economy development programme, which has been operated by BGK continuously since 2012, is intended to increase the number of social enterprises using repayable financial instruments. By providing them with access to sources of funding, we facilitate the economisation of these entities, making them independent from the subsidy system. By providing them with funds for their day-to-day operations and development, we help them achieve their objectives laid down in their charters, which consist in measures aimed at resolving social problems and the provision of services to the local communities.

Until the end of 2023 we operated a loan instrument for the financing of development operations of social economy entities (SEEs) from the European Social Fund as part of the project implemented under Measure 2.9 of the Operational Programme Knowledge, Education, Development (OP KED) for 2014–2020.

Summary of the Operational Programme Knowledge Education Development in 2023



PLN 143 M

allocated for repayable instruments from OP KES



264

declared to be created in 2023 at SEEs as a result of using the loans



107

loan agreements with SEEs



PLN 15.5 M

of loans advanced to SEEs

In 2023, 10.3% of borrowers used the loan for a start (for SEEs operating for no more than 12 months), and 89.7% used the loan for development (for SEEs operating longer than 12 months). Among the borrowers, the largest group consisted of entities from the category of micro-enterprises – 72%; small-sized enterprises accounted for 22.4%, and medium-sized enterprises – 5.6%.

Liquidity loan for social economy entities intended to finance day-to-day operations and ensuring financial liquidity of social economy entities operating longer than 12 months is an instrument launched by BGK in 2020 to help SEEs affected by the negative consequences of the COVID-19 pandemic.

In the context of the armed conflict in Ukraine and the increased influx of residents from that country to Poland, the liquidity loan may also be used to provide assistance to them or to create jobs for them. A mission loan is a special form of liquidity loan. The maximum amount of a mission loan is PLN 100,000. 25% of the principal of a mission loan may be cancelled.

In 2023, a new product was launched – sureties for SEEs that have been operating for no less than 12 months. The facility offers sureties for: financing of investments, working capital, leases, security deposits, performance bonds or maintenance bonds. The goal of the surety facility is to reduce the barrier of having insufficient collateral faced by SEEs that apply for debt financing, public procurement contracts or contracts in the private sector. By the end of 2023, six entities had benefited from sureties for a total of PLN 260 thousand.

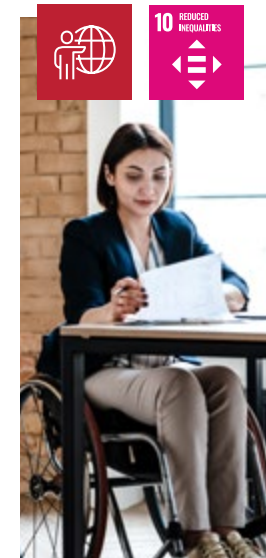
Summary of liquidity loan for SEEs in 2023



Among the borrowers, in 2023 the largest group consisted of entities from the category of micro-enterprises – 68.7%, followed by small-sized enterprises – 28.9%, medium-sized enterprises – 1.2%, and large enterprises – 1.2%.

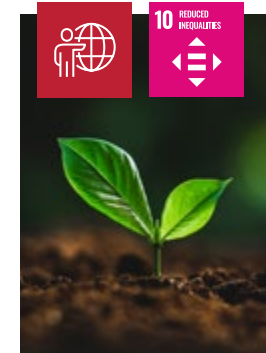
In the EU’s financial framework 2021-2027, investment loans will be provided together with financing partners to support at least 831 SEEs and contribute to the creation of 831 jobs.

Examples of support for social economy entities:



PLN 100 thousand loan to CHEGOS, a cooperative of the disabled, under OP KES

The loan, granted in June 2023, was intended to finance expenses related to completion of the construction of a new warehouse. The money paid for, among other things, the installation of the electrical system, furnishing of the hall with racks, purchase of an electric pallet stacker for moving and placing pallets of goods on the racks. The social goal of the cooperative, which has the status of a supported employment enterprise, is vocational rehabilitation through work, employment of people with disabilities and environmental protection through the collection of recyclable materials.



PLN 50 thousand liquidity loan to the Community of Hope Foundation

The loan awarded in 2023 was earmarked for day-to-day and operating costs of the Life Farm – a domicile for adults suffering from autism spectrum disorder. It is a place of therapy, rehabilitation, work and vocational activation for dozens of people with ASD.

Certificate: “Quality Label of Social and Solidarity Economy”

We provide partnership support to the Ministry of Family and Social Policy in the implementation of the project “System of certification with quality labels for social economy enterprises and local government units”. Its purpose is to create a nationwide certification system for the social economy sector and local government units involved in the establishment and development of social economy entities.

The certificate is awarded to enterprises which are the most successful in combining economic activity with social engagement and local governments which recognise that in the area of their jurisdiction they can solve some social problems by establishing and supporting SEEs. To date, 531 SEEs have benefited from the awards for an aggregate of more than PLN 2 million.

2.4 Aid Fund

The Aid Fund was set up at BGK in Connection with the armed conflict on the territory of Ukraine to ensure funds for the support of refugees from that country who have found shelter in Poland. BGK acts as the Aid Fund operator and processes contributions to and disbursements from the fund, which are distributed through central and local government units.

In 2023, the Fund continued to finance activities to assist refugees from Ukraine, which focused on:

- providing accommodation and meals to refugees, including the operation of reception points and medical points set up at reception points,
- medical care (primary, specialist, hospital health care, drug reimbursement),
- payment of family and child benefits, social welfare benefits to refugees,
- preschool and school education of Ukrainian children.

Aid Fund in 2023 in numbers:



PLN 1,947 M

paid family and child benefits and social welfare benefits



PLN 2,828 M

for financing of accommodation, meals, operation of reception points



**approx.
213,600**

children of Ukrainian refugees in Polish schools and kindergartens (December 2023)



PLN 2,649 M

for financing of school and preschool education of Ukrainian children

PLN 909 M

paid health care benefits

In addition, in 2023 the Aid Fund financed tasks related to Poland's food security, as part of which financial assistance worth a total of PLN 5,875 million was provided to Polish farmers. For more information on the Fund, see [Appendix 1](#), and a description of the Fund's issue of notes guaranteed by the Polish State Treasury and Japan Bank for International Cooperation (JBIC) is included in [Section V. 3.2.I Cooperation with international public institutions](#).

2.5 CSR projects

Corporate volunteering

SDG 10

We encourage employees to engage in volunteer projects to support local communities and together build the social capital. Our employees have the opportunity not only to participate in projects organised for the entire Bank, but also pursue their own initiatives. Each of them can use one working day in a year for employee volunteering.

Key projects completed in 2023:

“Voluntary service is great!” – 15th edition

In the “Voluntary service is great!” programme employees submit their own social projects addressing local problems and needs. The best projects are selected by the BGK Judging Panel and awarded with grants of PLN 6,000 or PLN 10,000. In 2023, the completed initiatives included:

- cleaning up the garden and renovation of terrace at the centre for blind children,
- renovation and financial support for the animal shelter,
- sports competition for children from childcare facilities,

- support for the Prophet Elijah rural hospice,
- serving meals to the homeless in Warsaw and purchasing clothing and footwear for them.

Summary of the programme in 2023:

- 69 completed projects
- 502 BGK's employees participated
- nearly 10,000 people received aid.

"Time into the forest"

SDG 13

Volunteering is also an opportunity for us to care for the environment. We have established cooperation with the Ostrów Mazowiecka, Mińsk Mazowiecki and Celestynów forest districts, thanks to which our employees' efforts produced measurable effects for nature – 1,500 trees were planted and almost 100 bags of garbage were collected.

Operation "Clean river"

SDG 15

In May, BGK volunteers travelled to Nowe Miasto, where they cleaned up a 12-kilometre section of the Pilica river bank.



Re:Generation

SDG 13, SDG 15

It is a project of BGK's volunteer service implemented in cooperation with UNEP/GRID, focusing on environmental education and protection of ecosystems and natural heritage. In 2023, we conducted activities in three nature reserves:

- Bór na Czerwonem, where on an area of 6.5 hectares we removed unwanted undergrowth and built 310 metres of wooden footpaths on the bog.
- Biała Woda, where we conducted extensive sheep grazing and mowing under expert supervision on an area of 16.5 hectares.
- Morysin, a part of the park of the Museum of King Jan III's Palace at Wilanów, where we cleaned the Sobieski Canal in order to restore water flow.

A total of about 80 employees of BGK joined the ecosystem activities, often engaging their relatives in the volunteer work.

For more information, see the [website](#) of the Bank.



Other social projects



69

grants with a total value of PLN 438 thousand for volunteer projects



677

BGK employees involved



**more than
10,000**

beneficiaries have received assistance



**more than
5,500 h**

assistance from BGK employees to those in need

Other social projects

In 2023, we conducted a series of internal educational activities to promote the circular economy in our organisation. These included the collection of:

- clothing, as part of which employees donated 2,741 kg of clothes, which helped finance hearing aids for the House of Warsaw Uprising Veterans,
- footwear, as part of which employees donated 617 pairs of shoes, some of which were sent to earthquake victims in Syria,
- books, as part of which employees collected more than 2,000 books and prepared more than 50 boxes of books that were delivered to children's libraries in hospitals,
- electronic waste, as part of which employees collected nearly 400 kg of electronic waste, that was transferred to professional waste treatment facilities.

Digital Sustainability

We believe it is our responsibility to spread awareness about the consequences of the digital revolution, with social capital in mind and in the context of human rights and our sustainable

future. That is why in 2023 we started educational activities in the form of webinars and meetings with experts and by implementing activities such as:

▪ #CyberAcademy BGK

In 2023, BGK continued its efforts to build a cyber security culture and raise awareness of cyber threats among its stakeholders. The webinars covered the security of private hardware and social media accounts and how to keep children safe online.

Moreover, the website of the bank gained new features, including educational content on cyber security.

▪ Banking Horizons

Bank Horizons is volunteering initiative promoting competencies in the form of educational meetings with young people. In 2023, the motto of the programme was sustainable digitisation. We invited young people to a meeting with experts from the Bank, where they learned, among other things, how to use new technologies to build a personal brand and ensure personal development and what opportunities and threats are related to activity in the Internet.



▪ Hello, this is the bank

"Hello, this is the bank" is our original podcast, in which experts address ESG matters. The first season focuses on corporate sustainability in the context of the 2030 Agenda. We talk to representatives of companies about their approach to sustainability. Season two focuses on social commitment. The topics covered include sustainable digitisation, diversity in the workplace, and the importance of transplanted for each of us. The podcast has been translated into Polish Sign Language. It is available on streaming platforms and on the dedicated website.

Our social commitment activities in 2023 received the following awards:

- White CSR Leaf in the 12th edition of CSR Leafs from Polityka,
- Good Company and Good Employer certificates awarded by Forum Biznesu,
- 2nd place in the CSR/ESG category in the 18th edition of the Icebreakers competition,
- the title of Benefactor of the Year awarded by the Academy for the Development of Philanthropy in Poland for the Re:Generation project,
- Friends of Integration Medal awarded by the Integration Foundation for multifaceted activities for people with disabilities.

#UnifyUkraine campaign

SDG 16

#UnifyUkraine is a social campaign we launched to raise awareness among Americans about Russian aggression against Ukraine. On 22 January, on the Ukraine Unity Day, a garden of sunflowers bloomed in New York. The flower symbolises the strength and indivisibility of our eastern neighbour. This theme was featured in e.g. outdoor and online ads, TV spots, on social media, in sponsored content and short documentaries. The #UnifyUkraine content has been viewed more than 750 million times. The social campaign commissioned by BGK was delivered by the agency MikeWorldWide. BGK as the organiser of the campaign was honoured the “Gold Winner” award by the International Awards Associate (IAA).

“Stay Together” concert for Ukraine

SDG 16

On 24 February 2023, on the anniversary of Russia’s invasion of Ukraine, we organised the charity concert “Stay Together”. During the event, money could be deposited into an account we opened on behalf of the National Bank of Ukraine (NBU). The collected funds were transferred directly to the NBU, which allocated them for essential humanitarian and military expenses.



Ukraine Business Compact 2023

SDG 17

In June 2023, during the Ukraine Recovery Conference in London, BGK became a signatory to the Ukraine Business Compact 2023 declaration. It confirms our commitment and readiness to support Ukraine’s post-war reconstruction. We have committed to joining the effort, if possible, through direct financial involvement or investment in Ukraine, cooperation with Ukrainian companies, exchange of know-how, support for development and economic growth in Ukraine.

2.6. Accessibility efforts

Accessibility Fund

■ GRI 2-24 ■ SDG 3, SDG 8, SDG 10, SDG 11

With the needs of people with permanent or temporary mobility or perception impairments in mind, we offered attractive loans to ensure or improve building accessibility. Support is provided from the Accessibility Fund using domestic resources. We provide loans both in a direct and cascade model.

We take steps to increase the accessibility of buildings for persons with special needs. In cooperation with the Ministry of Funds and Regional Policy and financial institutions, we finance the elimination of architectural barriers in multi-family, collective housing and public utility buildings in the form of preferential, low-interest loans with an option of cancellation of up to 50% of their amount. The loans are addressed to housing communities and cooperatives, social housing associations, public entities (e.g. offices, schools, hospitals), and cultural institutions. The Accessibility Fund is a part of the Accessibility Plus government programme.

Eligible accessibility improvement projects include, for example, elevators in multi-storey buildings, elimination of unnecessary stairs, installation of handholds and handrails and mechanisms for opening doors. They will make life easier for people who have difficulties in mobility or with poor sight.

Loans from the Accessibility Fund granted by BGK and financing partners in 2023:



PLN 130 M

in loans advanced
in 2023



118

agreements concluded in
2023



Year of accessibility

■ GRI 2-24

The year 2023 was the Year of Accessibility in the Bank. We supported accessibility through a series of activities and programmes to raise awareness of what challenges people with special needs have to face each day:

- digital, architectural and communication accessibility audits and gap analyses,
- implementation of recommended changes (installation of ramps and automatic doors),
- ensuring compliance of documents, multimedia and websites with the principles of digital accessibility (WCAG) and plain language,
- “Accessible BGK” training on an e-learning platform for employees,
- thematic workshops during the Accessibility Day,
- five videos on neurodiversity, hearing and vision, architectural barriers and the elderly, and two comics on accessibility, published on the [website](#) of the Bank.

We organise accessible events, provide accessible documents on request and enable contacting us with assistance from a Polish Sign Language interpreter. We take care of our employees with special needs, which we analysed to create a friendly workplace for them, e.g. by providing additional equipment at workstations.

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Accessibility policy

GRI 2-23

In 2023, we put a new Accessibility Policy into effect. It governs activities that ensure accessibility of the Bank to people with special needs. The Accessibility Policy meets the requirements of the laws and regulations that are applicable to us as a Bank. It is also in line with our strategy of social commitment. In this document we regulated accessibility rules in the following areas:

- digital,
- information and communication,
- architectural and mobility,
- HR and BGK products,
- procurement processes.

The policy can be accessed in the [website](#) of the Bank.

2.7. Foundations established by BGK

GRI 3-3 Topic: Development of local communities

The J.K. Steczkowski BGK Foundation



Selected projects completed by the foundation in 2023:

SDG 3

- **“Your Yes has the power”** is a nationwide campaign to build awareness of transplantation among the youngest. We organised the first conference “Transplant Summit Poland 2023” dedicated to the social and medical aspects of organ transplantation in children. The invited specialists discussed, among other things, how to make organ transplants – especially in children – no longer a taboo subject in Poland. A TV and radio spot “Your Yes has the power” was also created and aired on public television and radio stations. The campaign reached an audience of more than 27 million people.

SDG 4

- **“Small Town”** is an educational programme addressed to children between 8 to 12 years of age. For five days children are given an opportunity to assume the role of an adult: they work, earn, save and spend money. We have subsidised five projects with a total of PLN 1.24 million. They involved more than 1,500 h of activities for about 570 children, with the participation of some 150 entrepreneurs.
- **“Farmers’ wives in action”** is a programme designed help farmers’ wives associations purchase equipment and supplies which they can use to carry out their activities. The programme facilitates the implementation of initiatives, projects and activities that strengthen the potential of rural areas and deepen knowledge and skills in the cultivation of regional traditions and customs. We co-financed 110 projects for a total of PLN 1.06 million.

- **“Volunteers of Our Municipality”** is a programme aimed at providing financial support to volunteer fire-fighting units. The purchased equipment is invaluable to firefighters and improves the sense of security in the local community. As part of the implemented projects, the winning volunteer fire-fighting units must conduct classes/workshops/demonstrations using the purchased equipment. We co-financed 60 projects for a total of PLN 1.18 million.

SDG 4

- **“My Little Homeland”** is a programme intended to subsidise initiatives that improve infrastructure, activate local communities and promote activities supporting local patriotism. We implemented projects for about 10,000 beneficiaries worth PLN 859,000 (6th edition) and we subsidised projects with an aggregate of PLN 2.26 million (7th edition).

Moreover, in 2023 the foundation completed the following projects:

- addressed to children and youth: “Off to a Good Start!”, “Once Upon a Time... Money”, “Captain Nemo’s Children”, “Cool Band”, “Start a Sport”,
- addressed to adults: “Generation 6.0”, “Wings for Mother”.

See more on the [website](#).

Most the Most Foundation  **M O S T ^{the} M O S T**

Selected projects completed by the foundation in 2023:

SDG 11

- **Our Monument** is a competition intended to enhance the role of people in shaping their nearest surroundings by promoting their participation in choosing historical monuments to be revitalised and given new social functions. In the 4th edition of the competition, 557 historical monuments were submitted, from which 18 buildings were selected to be covered by the programme. The Foundation signed agreements on the provision of PLN 18 million in grants.

SDG 10

- **“Most the Music”** is a programme whose goals include social integration of children and young people of different backgrounds, strengthening social relations and ties and supporting integration between generations. In 2023, the foundation funded the activities of eight children’s choirs and involving 200 children. The amount of funding provided was PLN 760,000.

Moreover, in 2023 the foundation completed e.g. the project The Powerful of Art.

See more on the [website](#).

The Empiricism and Knowledge Foundation



Selected projects completed by the foundation in 2023:

SDG 4

- **MATura+ and MATma²** are projects aimed at providing equal opportunity in education. The project covered 2,000 students before their final high school exam in six provinces which according to the Central Examination Commission are at the bottom of the ranking in terms of results from the high school graduation exam in mathematics and 900 eighth graders from six provinces who participate in an online course preparing them for the 8th grade final exam in mathematics. Project participants have unlimited access to free learning materials. Beneficiaries of the project also include teachers, who receive practical support and teaching materials for use in lessons with students.

SDG 4

- **InvestorMe** is a project that supports local organisations in implementing programmes related to communication skills, leadership competencies and motivation. We selected 25

organisations that received grants of up to PLN 25,000. More than 3,300 people participated in the projects and more than 270 workshops were conducted, totalling nearly 870 hours.

- **Talents of Tomorrow** is a grant programme that gives inspiration to people aged 19-25 to create innovations and carry out research projects. 45 young people received grants (43 grants of PLN 25,000, 2 grants of PLN 10,000). In addition, five persons received special awards for 3W projects (water-hydrogen-carbon).



■ SDG 4

- **Training on “Business and Management”** for teachers who teach the subject, which replaced “business basics”. 1,058 teachers completed the e-learning training “Preparation to support students during team project management” and 2,657 business and management teachers registered for the business and management toolbox.

■ SDG 5

- **MAKi – Male vs. Female point of view** – the project involved educational activities aimed at promoting entrepreneurship through cooperation between men and women, taking advantage of differences between genders to build Poland’s social capital. The project was intended to draw attention to equitable distribution of duties, responsibilities and gender equality.

Moreover, in 2023 the foundation completed e.g. the projects Empirius and Stern Leadership Academy.

See more on the [website](#).

Selected projects completed by the foundation in 2023:

- **GenFree conference** for young people from the Three Seas region countries. The 3rd conference was devoted to the issue of freedom in the context of new technologies. The event was attended by over 500 participants. Lectures were given by nine guests, including a special guest Steve Wozniak, co-founder of Apple. We organised workshops for 50 participants from 12 countries of the Three Seas Initiative and we created a space for dialogue.

■ SDG 11

- **Jabłonki** is a programme consisting of initiatives promoting Poland’s charms through its cuisine, music, horticulture, natural food, landscapes and the hospitable people of Poland. As part of the programme, we organised festivals which attracted about 50,000 participants. Together with representatives of local communities, we planted more than 2,500 apple trees in Poland and abroad.
- **„Jak zostać genialnym hultajem?”** (How to become a brilliant scamp) is a book about 100 prominent Poles who changed the world. It was prepared for children between 9 to 13 years of age. The book was prepared in two language versions – Polish and English, and printed in 14,000 copies.

The foundation is in the process of liquidation. See more on the [website](#).

2.8. Other social capital activities

■ SDG 4

Educational activities for SMEs carried out in cooperation with PARP

As part of our social commitment we also carried out a number of initiatives supporting education. As part of the Bank’s cooperation with the Polish Academy for Enterprise Development (PARP), in October 2023 free online courses on sustainability and digital transition were released on PARP’s education platform. The training courses are targeted at entrepreneurs, business owners and employees, and external consultants.

The course “Sustainability in SMEs” is a compendium of knowledge for those who would like to implement the premises of sustainability in day-to-day business management as well as those who want to start their professional career in this area. During three months, nearly 850 people signed up for the course and nearly 200 participants received certificates of its completion.

The course “SME 4.0. – Challenges of digital transition” is intended for people interested in increasing the effectiveness of operations by using Industry 4.0 solutions and digital technologies.

More information about the courses, including their full itineraries, is available on the [website](#) of the PARP Academy.

“Sustainable finance and ESG” at the Kozminski University

Our stakeholders expect us to act as a market educator on sustainable finance. We partnered with the Kozminski University in Warsaw to launch the second edition of postgraduate studies “Sustainable finance and ESG” in 2023.

Also, in 2023 we became a partner of the “Positive Impact Startups” initiative organised by the Kozminski Business Hub.

See more on the [website](#).

■ GRI 2-28

■ SDG 17

Our efforts to promote sustainable development and build social capital are bolstered through partnerships.

In the area of sustainable finance and ESG standards we participate in:

- **Joint Initiative for Circular Economy (JICE)** – an initiative established by five largest banks in the European Union and the European Investment Bank – the so-called BIG 5+1 group,
- **Platform on Sustainable Finance** – an initiative of the European Commission as part of which the Ministry of Finance implements the project “Roadmap for the development of sustainable finance in Poland”. The purpose of the platform is to support development of the Polish capital market, redirection of capital to sustainable investments and popularisation of financial services and instruments contributing to ESG goals.

As of 2023, we are a member of **the Business Accessibility Forum (BAF)**, which brings together businesses preparing for the implementation of the directive that aims to improve accessibility to products and services. We are an opinion leader in the field of accessibility for people with special needs.

In 2023, we established a partnership with **the Responsible Business Forum (FOB)**. It gives us the opportunity to exchange knowledge with other members of the organisation and contribute to the creation of interesting social projects.

BGK’s social commitment activities, including financial education and sustainability projects, were among the topics raised in 2023 in the dialogue by our stakeholders.

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3. International business and cooperation

In the International business and cooperation pillar, we contribute to increasing the international competitiveness of the Polish economy by:

- supporting the expansion of Polish businesses,
- attracting high-quality foreign investment and financial partnerships,
- creating international financial solutions,
- strengthening relations with international institutions.

Our activities in this pillar consolidate the position of Polish business and Poland in the international arena. Such instruments as the export credit and cooperation with other institutions, e.g. Polish Investment and Trade Agency or KUKE, enable Polish companies to benefit from a full range of support for internationalisation and entering new markets.

3.1. Export finance and international business

■ SDG 8, SDG 9

We provide Polish companies with solutions to successfully compete in international markets, using export financing and foreign expansion instruments granted both under the Finansowe Wspieranie Eksportu (Financial Exports Support) Programme and as part of own activities.

Finansowe Wspieranie Eksportu (Financial Exports Support) Programme

We support Polish exports by advancing export credits under the Financial Exports Support government programme adopted by the Council of Ministers in 2009. We provide credit facilities to foreign buyers (directly or through the buyer's bank) to finance the purchase of Polish goods or services. The funds are transferred directly to the bank accounts of Polish exporters, which eliminates the risk of default, as the Polish business entity receives the transfer directly from BGK.

In 2024, in cooperation with the Ministry of Finance we expanded the range of instruments covered by the government programme.

The proposed solutions are considered particularly attractive for higher risk markets (e.g. African markets and Ukraine), where the instruments offered by commercial banks are limited and the borrowing costs charged by local banks are high.

Since the launch of the programme until the end of 2023, we granted more than 3,000 loans for an aggregate of approximately PLN 5 billion. The amount disbursed was approximately PLN 4.3 billion, while the value of supported export contracts was about PLN 6.2 billion.

Activities in the area of export and foreign expansion support

The amount of export and foreign expansion financing provided by us in 2023 (under the Financial Exports Support Government Programme and as part of own activities) totalled PLN 1.9 billion (2022: PLN 3.3 billion). We supported 143 foreign projects of Polish companies, including the financing of: sale of milk cooling and storing system to Rwanda, sale of chemicals to Ukraine, sale of semi-trailers to Côte d'Ivoire, and activities of Polish businesses in Spain.

Fixed-rate export credit interest subsidy programme (DOKE)

We manages the fixed-rate export credit interest subsidy programme (DOKE) on behalf of the Ministry of Finance.

As at the end of 2023, the value of the supported export contracts totalled:

- EUR 114.68 million, and
- CAD 165.2 million.

The contracts were financed by loans amounting to DKK 289.3 million, NOK 336.3 million and CAD 135.4 million.

3.2. Cooperation with international institutions

SDG 17

Internationally, in 2023 we regularly collaborated with the following groups of entities:

- the European Commission,
- international financial institutions,
- foreign investors,
- foreign banks and development institutions,
- international associations,
- embassies and diplomatic establishments.

InvestEU

In April 2023, as the only financial institution in Poland, we became an implementing partner in the InvestEU programme with a mandate to provide investment loans backed by an EU guarantee. The value of the guarantee for BGK is EUR 241.5 million. We plan to use it to boost investment projects under two segments of the InvestEU Programme policy: Sustainable infrastructure and Research, innovation and digitisation.

TeamEurope initiative – COVID-19 vaccines and support for Ukraine

SDG 3

In 2023, we continued to pursue activities related to the implementation of a EUR 35 million grant agreement with the European Commission for the delivery of COVID-19 vaccines by EU Member States to Eastern Partnership countries and assistance efforts for Ukraine during the war caused by the aggression of Russia. The support included the purchase of: 25 ambulances, hygiene and medical supplies (including a CT scanner), food, 100 school buses, supplies necessary for the autumn and winter season; in addition, the funds were used to provide psychological assistance. In a project implemented together with the Solidarity Fund PL, we were

responsible for managing funds, monitoring and reporting progress, and we acted as payment agent. The activities were completed in December 2023.

Aid Fund

In 2023, as part of the solidarity package, we issued a series of bonds for EUR 0.6 billion for the benefit of the Fund, which were fully subscribed for by the European Investment Bank. The total amount of bonds issued as part of the package was EUR 1.8 billion. Issue proceeds are transferred to, among others, local governments and public entities that arrange for the aid to Ukrainian refugees and support their integration with local communities. The tasks financed from the proceeds include maintenance and operation of reception points, provision of accommodation and meals, transport to the place of accommodation, assignment of PESEL numbers, and medical services.

Support for the MSME sector in Ukraine

In 2023, we carried out activities as part of the European Commission’s guarantee support for the micro, small and medium enterprise sector in Ukraine through Ukraine’s Kredobank, which allowed the bank to continue lending during the war. By a decision of the EC of December 2023, the pool of funds was increased to EUR 20 million. The support has been planned to last until 2036.

Loan from BGK to the Republic of Moldova

BGK and the government of the Republic of Moldova signed a EUR 5 million loan agreement to support energy transition projects in the country’s micro, small and medium-sized enterprise sector. The European Union will co-finance the reduction of interest on the loan to Moldova and finance technical assistance.

Investment projects in Africa (EFSD+)

In 2023, we worked on a portfolio of projects that BGK will implement under the funds granted by the European Commission (EUR 115 million guarantee) for digitisation projects in sub-Saharan Africa under the European Fund for Sustainable Development Plus (EFSD+). The investment loans with the EFSD+ guarantee will be advanced to special-purpose vehicles – entities that will be set up together with European technology partners to carry out specific projects. We plan to sign the agreement with the EC in 2024.

3W Idea

As part of the 3W Idea (water, hydrogen, carbon), we carried out a number of missions and participated in international events on water and hydrogen held in Belgium, Japan, Luxembourg, Norway, Sweden, the United Kingdom and the UAE.

We promoted the idea at the 28th Climate Summit in Dubai in our pavilion by participating in panel discussions (also those organised in the Bulgarian pavilion) and during meetings with representatives of key institutions involved in the development of green technologies. Our goal was to promote among international stakeholders not only the 3W Idea as a path towards green business in Poland, but also Polish solutions as a technological response to the climate crisis.

As a result, we have established a network of institutional and business contacts and made recommendations for 3W Partners to make efforts for international development of the 3W Idea. For more details, see [Section V.1.2](#).

Blue Deal

The European Economic and Social Committee considered water issues as one of the key challenges for 2023. The European Union institutions were called upon to implement the Blue Deal as an independent strategic policy treated on equal footing with the Green Deal. Given that Polish society and economy are already struggling with water challenges (including poor surface water quality, some of the lowest per capita water resources in the EU), BGK has launched the

Blue Deal. In addition to activities carried out in Poland, we have undertaken a range of initiatives at the international level, for example we organised:

- a meeting with members of the European Parliament, key water stakeholders in the EU, NGOs,
- a thematic panel at the European Parliament conference centre (in cooperation with Politico),
- consultations with representatives of international public and financial institutions.

3.3. Cooperation with International Financial Institutions (IFI)

SDG 17

European Investment Bank (EIB)

In 2023, we continued our cooperation with the EIB. We signed two agreements:

- on the co-financing of the construction of a new 101 km section of the A2 motorway (the loan amount was EUR 450 million),
- on the co-financing of the construction of a dual carriageway 118 km section of the S6 expressway (the loan amount was EUR 450 million).

The funds will be increase the National Road Fund (NRF) under our management, which finances the construction and alteration of national roads in Poland.

In 2023, we carried out a bond issue under the EIB's Solidarity Package (Ukraine Solidarity Package, as described in [Section V.3.2](#)). We signed an agreement on financing of a major RES project with the EIB. We also received disbursements under Social & Affordable Housing and MBIL VI projects.

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European Investment Fund (EIF)

In 2023, the process of applying for the EIF’s counter-guarantee under two themes of the InvestEU programme (SMEs and Microfinance) was completed with a positive outcome. The agreement was signed bilaterally in February 2024.

In addition, in October 2023 we organised the EIF Financial Shareholders Group Annual Meeting in Warsaw.

Bilateral and multilateral cooperation with foreign banks and development institutions

In 2023, members of the Bank’s Management Board completed more than 30 foreign missions at the government level and at the level of partner institutions.

We continued to develop the Three Seas Initiative. Members of the BGK Management Board actively participated in events organised by the Polish embassies in Dublin, Tokyo and Ottawa. The Initiative was also one of the themes we raised in Davos during the World Economic Forum and during the Three Seas Summit and Business Forum in Bucharest. The issues discussed included energy security and strengthening the economic resilience of the Three Seas Region in view of the war in Ukraine. We also organised workshops on ESG, compliance, auditing and development assistance for representatives of eight partner development banks in the region.

In July, in Warsaw we signed a tripartite Memorandum of Understanding (MoU) with two South Korean government financial institutions – Export-Import Bank of Korea (KEXIM) and Korea Trade Insurance Corporation (K-SURE). The parties to the agreement undertook to cooperate closely on infrastructure, industrial development, renewable energy, and promotion of economic cooperation, including foreign investment and trade. We want to act together to seek new opportunities to finance export projects. The document also includes provisions on co-financing of e.g. reconstruction and modernisation projects after the end of the war in Ukraine.

We also continued to strengthen our relationships with Japanese partners. We issued Japanese yen-denominated notes guaranteed by the Polish State Treasury and the Japan Bank for International Cooperation (JBIC) for the Aid Fund.

Cooperation with international trade associations and organisations

GRI 2-28

In 2023, we were a member of 14 international trade associations and organisations (full list is available in [Appendix 5](#)). We played an important role in:

1. European Association of Guarantee Institutions (AECM),
2. European Long-Term Investors Association (ELTI),
3. European Association of Public Banks (EAPB),
4. Network of European Financial Institutions for SMEs (NEFI),
5. World Economic Forum (WEF).

In March 2023, we joined JEFIC (Joint European Financiers for International Cooperation), an informal platform for knowledge sharing and international cooperation on development assistance.

In 2023, the main areas of cooperation within international associations and organisations was the exchange of knowledge on EU funds, ESG risks, sustainability, auditing and reporting. In June 2023, we hosted the heads of development banks and institutions at the General Assembly of EAPB in Warsaw.

In December, we organised a two-day meeting of the working group of NEFI, where we conducted a workshop on ESG reporting. In addition, last year we were a partner in a dialogue with EU institutions on legal arrangements and instruments that support the economy.

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World Economic Forum (WEF)

In 2023, we developed relationships we had established with the World Economic Forum. During the Davos conference, we prepared the Polish House, which hosted a large number of Polish and foreign representatives of the public administration, entrepreneurs, scientists and journalists.

The CEO of BGK, its Management Board members and the Bank’s experts participate in the ESG Practitioners Community platform, one of eight thematic platforms prepared by the WEF.

3.4. Activities of BGK’s foreign representative offices

In 2023, we had four representative offices: in Belgium (Brussels), Germany (Frankfurt am Main), the United Kingdom (London) and the Netherlands (Amsterdam; closed in 2024).

Representative offices, set up in the largest global financial hubs, serve to build relations and a strong image of BGK as an important partner for foreign financial investors, as well as the image of Poland as an attractive place to invest. Their activities help Polish companies identify new financial opportunities.

4. Digital and process transformation

One of the key factors shaping the new business reality is the development of technology and processes. To be successful, enterprises should approach their business in a holistic way, considering both technological and social aspects. These are the main assumptions of the Digital and process transformation pillar – one of the two internal pillars of BGK’s strategy for 2021–2025.

The rollout of digital technologies in BGK accounts for a comprehensive view of modern trends and challenges in the area of digitisation of financial institutions. We have successfully deployed modern systems that integrate and perform key business processes and functions (e.g. electronic channels, payment platform). We have also been reducing the level of technical debt. At the same time, we provide modern work tools, we make work faster, easier and safer. The key

elements of the pillar are automation and robotisation, which reduce repetitive activities and allow employees to focus on strategic development tasks.

Robotisation improves the efficiency of key internal processes and supports our efforts to achieve process excellence. Thanks to streamlining, simplification and digitisation of processes, we have been reducing the number of generic and repetitive tasks. As a result, employees’ competences are used more effectively in tasks that require greater creativity and commitment.

Process transformation focuses on optimisation leading to consistent increase in the Bank’s productivity, efficiency and operational effectiveness. The rollout of digital technologies provides modern systems that integrate and perform key business processes and functions.

4.1. Projects and processes

In 2023, we completed 138 projects with a much higher degree of technological complexity compared to previous years. Their main goal was to digitise business processes, reduce technical debt and introduce aid solutions. As regards the development of project and process management methods and standards, we have made many improvements resulting in enhanced efficiency of decision making and agility of production processes. As the first in Poland, we provided training on GPM (Green Project Management) to all project managers.

The spectrum of modern methodologies, tools and standards that we have built results in numerous reference visits and prestigious awards. Thanks to a unique approach, our project “Sustainable Development” was among the winners of the IPMA Polish Project Excellence Award for the best managed project. In 2023, we continued our cooperation with IPMA Poland on an initiative to promote project management among the youngest by conducting IPMA Kids and IPMA Teens workshops.

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Among the projects with the highest impact on BGK's operations, we can distinguish three project categories: Upgrade of IT Systems, Development and Optimisation Projects, and Regulatory and Legal Projects.

Upgrade of IT systems

The purpose of the Upgrade of IT Systems programme is to meet business and market requirements through the modernisation of key processes and reduction of technical debt to below 10%. As part of activities in this area continued in 2023 the migration of more processes to the new Ferryt Enterprise platform was completed and the payment platform was deployed in production. The changes allowed us to quickly improve our capacity to respond to increasing business requirements has been growing rapidly – the number of completed software and infrastructure changes and modifications has increased more than 100% year on year since 2020.

Outside of the programme, the initiatives include improving the efficiency and usefulness of supported business processes, their modernisation and automation enabling faster adaptation to the changing needs of BGK's stakeholders through the use of new and effective tools. Owing to these measures, the technical debt reached 24% in 2023. By comparison, a year earlier BGK estimated its level at 29%.

Development and Optimisation Projects

GRI 3-3 Topic: Security

Within the framework of the 3W strategic initiative, efforts have begun to secure the interests of Polish companies in the field of new technologies. We have commenced the certification of our partners' technologies to analyse the maturity of their implementation.

We opened up the option to pay taxes on the e-Urząd Skarbowy website as part of the BLIK project and we received an award for the most important initiative of the cashless world in Poland at the XI Cashless Congress.

We also completed activities under the Unia3 project, namely the introduction of functionalities that enable handling payments from EU funds and state aid as part of the new financial framework.

Thanks to Robotic Process Automation introduced in day-to-day tasks, our work is already supported by 19 robots, 15 of which were deployed last year, providing processing time savings of nearly 22,000 h/year.

Regulatory and Legal Projects

We launched the offer of selected credit and deposit products based on the new WIRON rate under the Wiron programme. We completed the implementation of Upgrade Fusion Condor and Fusion Risk addressing the need to meet regulatory requirements for benchmarks.

We continued to implement the changes developed in the project of electronic management of flow funds, whose purpose is to prepare and implement a standardised process in this area.

As part of the development of business model programmes, we implemented the following products: First Apartment – 2% Safe Mortgage, First Apartment – Home Savings Account, and an application for electronic management of establishing a separate ownership of an apartment. As part of the NRRP, we implemented two subsidy instruments supporting the housing sector with a total value of EUR 855 million.

4.2. Electronic banking

Number of partners, users and transactions in the bgk24 online system

As at the end of 2023, there were 4,474 active entities in bgk24 (down 59 relative to 2022). The number of system users grew 23%, to 29,569. In 2023, the system processed more than 15 million instructions (down 3% compared to 2022).

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Development of BGK's electronic channels

In 2023, we worked on the delivery and deployment of a new electronic channel platform, including web services enabling direct integration of financial and accounting programmes of our partners with the Bank's systems. The new solution is planned to be gradually phased in throughout 2024.

4.3. Cyber-security

GRI 3-3 Topic: Security

In the face of rapidly changing cyber threats, we are taking comprehensive measures to manage cyber risk. We care about the cyber security of our systems, employees and stakeholders, as well as their awareness of cyber threats (for more information, visit the [website](#) of the Bank). The Bank has a Cyber Security Department serving as its internal centre of competence in this area.

Our cyber security policy and strategy focus on ensuring the highest level of protection for data and systems, while taking into account sustainability commitments. Principal goals in this area for 2023-2025:

- modern and effective management system for cyber security, adequate for the threats, addressing actual needs of business and consistent with external requirements,
- a bank that is resilient to cyber threats and ready to respond swiftly to future cyber security risks and challenges,
- secure services provided to business partners in remote channels,
- convenient and effective safeguards supporting the Bank's business processes and goals.

Our cyber risk management process is based on continuous threat evaluation, effective incident prevention strategies and rapid response. The Cyber Security Department has a team that monitors the security of infrastructure, employees and clients. On a 24/7 basis, 365 days a year, we are able to effectively implement security monitoring activities and handle cyber incidents and incidents in electronic access channels (fraud).



We invest in state-of-the-art security measures and training to ensure effective protection against cyber threats. We take into account both business and technological aspects to provide a comprehensive approach to cyber security.

Cooperation and engagement of the community are key to effective protection against cyber threats. We actively participate in educational initiatives to raise public awareness of cyber security and support the development of competence in this area. We continuously verify employees' awareness through periodic simulated attacks and raise their awareness of cyber threats through training. With our stakeholders in mind, we created the BGK Cyber Academy – open webinars on cyber threats. The webinars are generally available to the public and had more than 8,000 views in 2023. For several years we have also been a partner in the “Bankers for Education” educational activities carried out by the Warsaw Institute of Banking.

As we understand that cyber risks will constantly evolve, we continue our efforts to improve our practices and adapt to new challenges. Our goals for the future include not only ensuring the security of data and systems, but also acting responsibly in the area of cyber security.

5. Effective management model

Effective management model is the second internal pillar of BGK's strategy, the objective of which is to increase the capacity to carry out tasks that meet the needs of a growing number of stakeholders. At present, we are focusing on issues related to, among other things, adjustment of conditions to interdisciplinary work, strengthening the feedback culture, and building informal matrix structures of projects.

To facilitate interdisciplinary work, we have implemented IT tools. They enhance communication within teams – including during work in hybrid mode. Matrix-based teams stimulate the potential of employees and forge synergies between different competence areas.

We have been refurbishing BGK's historic seat located at Al. Jerozolimskie 7. We arrange space so as to foster creative teamwork and stimulate proactive work in matrix structures.

We attach great weight to the skills and competencies of our staff, for whom we organise various training programmes. These support the development of thinking skills and activities related to the implementation of the Bank's strategy for 2021–2025.

A vital element of the effective management model pillar is also to promote employee attitudes and conduct that are consistent with our strategic values, namely openness, teamwork and responsibility. Their observance is taken into account in annual evaluations.

For more information see [Section III. Employees](#)

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6. Financial performance and structure of the statement of financial position of BGK

Statement of profit or loss of BGK

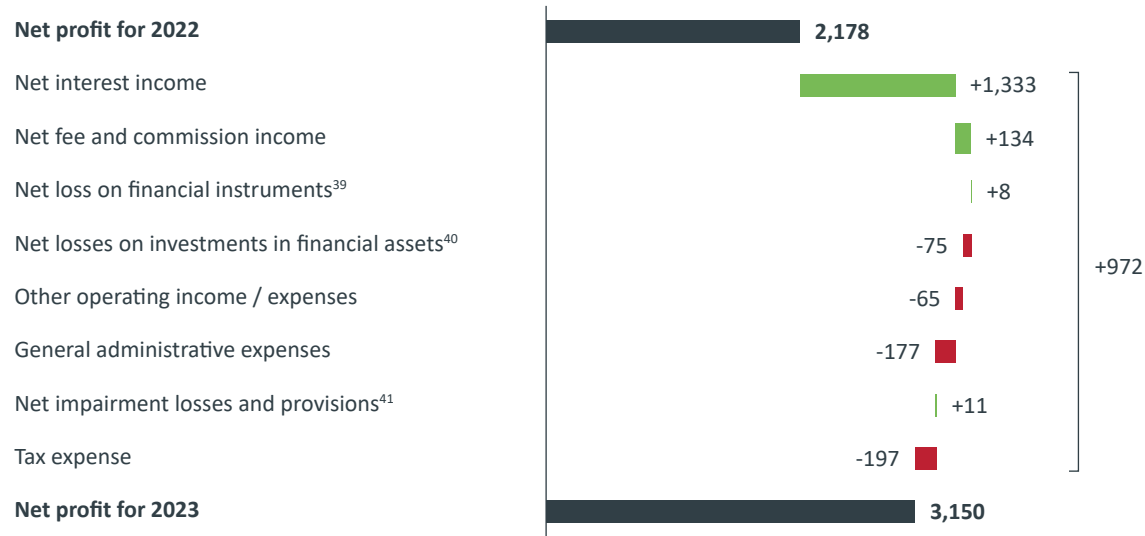
BGK reported a net profit of PLN 3,150 million for 2023, which was higher by PLN 972 million, or 44.6%, year on year.

TABLE 29. Statement of profit or loss of BGK (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net interest income	4,290	2,957	1,333	45.1%
Net fee and commission income/expense	451	317	134	42.3%
Net gains (losses) on financial instruments at fair value through profit or loss and foreign exchange gains (losses)	242	234	8	3.4%
Net gains (losses) on investments in financial assets and derecognition of assets	144	219	-75	-34.2%
Income from banking activities	5,127	3,727	1,400	37.6%
Other operating income / expenses	-142	-77	-65	84.4%
General administrative expenses	-852	-675	-177	26.2%
Net impairment losses and provisions	-271	-282	11	-3.9%
Operating result	3,862	2,693	1,169	43.4%
Profit before tax	3,862	2,693	1,169	43.4%
Income tax	-712	-515	-197	38.3%
Net profit	3,150	2,178	972	44.6%

The year-on-year rise in net profit mostly resulted from a PLN 1,333 million increase in net interest income and a PLN 177 million growth in general administrative expenses.

CHART 2. BGK's performance drivers in 2022 and 2023 (PLN million)



Net interest income

Net interest income amounted to PLN 4,290 million in 2023, up by PLN 1,333 million, or 45.1% y/y. The change in net interest income was supported by high interest rates, with average interest-earning assets relatively unchanged.

TABLE 30. BGK's net interest income (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net interest income	4,290	2,957	1,333	45.1%
Interest income	13,779	9,998	3,781	37.8%
on debt instruments (at amortised cost)	6,003	3,239	2,764	85.3%
on loans and advances (at amortised cost)	3,457	2,492	965	38.7%
from financial instruments at fair value through other comprehensive income	2,407	2,805	-398	-14.2%
amounts due from banks (at amortised cost)	1,007	663	344	51.9%
other interest income	905	799	106	13.3%
Interest expense	-9,489	-7,041	-2,448	34.8%
on liabilities to customers	-8,973	-6,567	-2,406	36.6%
on amounts due to banks	-285	-229	-56	24.5%
issue of debt securities	-150	-196	46	-23.5%
other interest expense	-81	-49	-32	65.3%

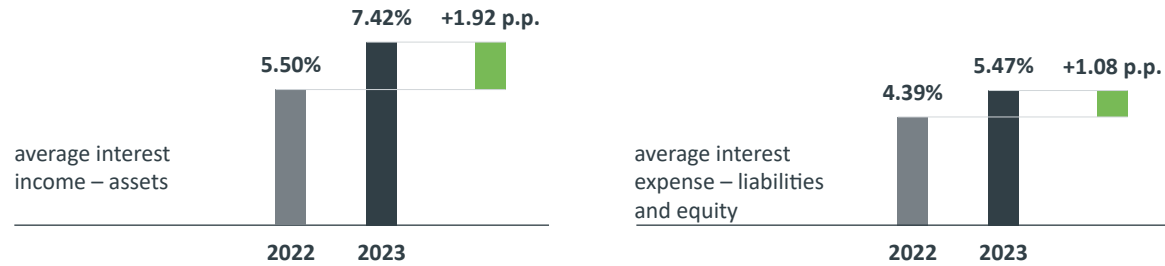
The average level of interest-bearing assets was PLN 204.7 billion, having grown by PLN 20.1 billion, or 10.9%, year on year. The largest item of interest-earning assets was the portfolio of debt securities amounting to PLN 121.1 billion, up PLN 14.8 billion in relation to the previous year. Its yield for 2023 was 6.23%, i.e. 112 bps higher than in 2022. The average level of the loans and advances portfolio was PLN 51.4 billion, having grown PLN 3.6 billion over 2022. The yield of the interest-earning asset portfolio went up from 5.50% to 7.42% in 2023.

³⁹ Net gains (losses) on financial instruments at fair value through profit or loss and foreign exchange gains (losses)

⁴⁰ Net gains (losses) on investments in financial assets and derecognition of assets

⁴¹ Net impairment losses and provisions

CHART 3. Average interest income and average interest expense of BGK in 2022 and 2023



In 2023, the average balance of interest-bearing liabilities was PLN 168.6 billion, up PLN 9.4 billion, i.e. 5.9%, in relation to the previous year. Customer deposits represented the largest item of interest-bearing liabilities. In 2023, the average balance of customer deposits was PLN 159.8 billion, up by PLN 11.2 billion, i.e. 7.5%, year on year. The yield of the interest-bearing liability portfolio was 5.47% vs. 4.39% in 2022.

Net commission income

Net commission income for 2023 was PLN 134 million, or 42.3%, higher year on year. Commission income jumped by PLN 136 million, i.e. 40.6% year on year, mainly due to the Bank’s higher guarantee exposure.

TABLE 31. Structure of BGK’s net commission income (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net commission income	451	317	134	42.3%
Commission income	471	335	136	40.6%
on loans and advances and securities operations	148	105	43	41.0%
on guarantee commitments	154	78	76	97.4%
on fund and programme management	121	106	15	14.2%
other commission income	48	46	2	4.3%
Commission expense	20	18	2	11.1%

Net gains (losses) on financial instruments, investments in financial assets and derecognition of assets

The increase in dividend income of PLN 49 million (102.1%) was due to profit distribution by investment funds, which reduced their valuation.

Net gains on financial instruments at fair value through profit or loss and foreign exchange gains went up by PLN 8 million (3.4% YoY), reaching PLN 242 million in 2023, mainly in connection with payment of dividend by investment funds. Lower net gains on derecognition of financial assets, which were down PLN 128 million compared to 2022, resulted from recognition of substantial modification (derecognition) of loans, including loans reclassified to POCI.

TABLE 32. Net gains (losses) on financial instruments, investments in financial assets and derecognition of assets of BGK (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net gains (losses) on financial instruments, investments in financial assets and derecognition of assets	386	453	-67	-14.8%
Disposal of investments in subsidiaries and associates	1	0	1	-
Dividends	97	48	49	102.1%
Net gains (losses) on other financial assets	17	14	3	21.4%
Net gains (losses) on financial instruments at fair value through profit or loss and foreign exchange gains (losses)	242	234	8	3.4%
Net gains (losses) on derecognition of assets	29	157	-128	-81.5%

Other operating income / expenses

As at the end of 2023, net other operating expense amounted to PLN -142 million. The decline was mostly caused by a PLN 37 million rise in costs of donations.

TABLE 33. BGK's other operating income and expenses (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Other operating income/expenses, including:	-142	-77	-65	84.4%
Cost of recognition of provisions for litigation and legal claims and other future liabilities	-28	-20	-8	40.0%
Donations	-102	-65	-37	56.9%
Other	-12	8	-20	-

General administrative expenses

General administrative expenses amounted to PLN 852 million and increased by 26.2% compared to the previous year.

The increase in the expenses was due to the combined effect of the Bank's expanding operations, the ongoing technological transformation, and the change in conditions in the macroeconomic environment, including the increase in service prices, the salary growth rate and the change in the minimum wage.

Administrative expenses (26.2% year on year) grew significantly slower than net income from banking activities (37.6% YoY), which contributed to a record low C/I efficiency ratio of 17.0%.

TABLE 34. BGK's costs of operations, depreciation and amortisation (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
General administrative expenses	852	675	177	26.2%
Employee benefits	549	435	114	26.2%
Material costs, taxes and charges	229	175	54	30.9%
Depreciation and amortisation	74	65	9	13.8%

Net impairment losses and provisions

Net impairment losses and provisions in 2023 amounted to PLN -271 million.

TABLE 35. BGK's net impairment losses and provisions (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net impairment losses and provisions	-271	-282	11	-3.9%
Loans and bonds	-432	-332	-100	30.1%
Contingent liabilities and guarantees	30	33	-3	-9.1%
Net impairment losses on investments in subsidiaries and associates	131	17	114	670.6%

The increase in impairment losses on loans and bonds was mainly due to the deterioration of the financial condition of several large partners and a significant increase in the Bank's loan portfolio.

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Higher net impairment losses on investments in subsidiaries and associates were due to reversal of the impairment loss on investment certificates in PFR Fundusz Inwestycyjny FIZ AN in the amount of PLN 131.5 million.

Income tax

Income tax for 2023 amounted to PLN 712 million, up PLN 197 million relative to 2022. The effective tax rate was 18.4% versus 19.1% as at the end of 2022.

Transactions with associates of BGK

A detailed list of transactions with entities with capital and organisational relations with BGK is presented in Note 40 to separate financial statements of BGK.

Statement of financial position of BGK

The balance sheet total of the BGK Group was PLN 222,354 million as at the end of 2023 and was higher by PLN 15,561 million, or 7.5%, year on year. The increase in the balance sheet total stemmed from, among other things, higher involvement in corporate finance through loans and bonds (commercial and municipal), which grew by PLN 5,926 million, or 11.7%, year on year.



TABLE 36. Structure of assets of BGK (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Cash, cash balances at the NBP	4,068	1.8%	3,300	1.6%	768	23.3%
Nostro accounts and interbank deposits	9,285	4.2%	9,454	4.6%	-170	-1.8%
Loans and bonds (commercial and municipal), gross	56,377	25.4%	50,451	24.4%	5,926	11.7%
Impairment losses on loans and bonds	-2,347	-1.1%	-1,787	-0.9%	-559	31.3%
Debt securities ⁴²	140,630	63.2%	125,605	60.7%	15,025	12.0%
Reverse repurchase agreements	5,269	2.4%	12,741	6.2%	-7,472	-58.6%
Net equity investments	7,066	3.2%	5,755	2.8%	1,311	22.8%
Other assets	2,006	0.9%	1,273	0.6%	732	57.5%
Total assets	222,354	100.0%	206,793	100.0%	15,561	7.5%

Cash, cash balances at the National Bank of Poland

As at the end of 2023, the balance of deposits with the NBP was PLN 4,068 million, having increased PLN 768 million, or 23.3%, year on year.

Nostro accounts and interbank deposits (except cash deposited with the National Bank of Poland)

As at the end of 2023, interbank deposits and nostro accounts amounted to PLN 9,285 million, having decreased PLN 170 million, or 1.8%, year on year.

⁴² excluding commercial and municipal bonds

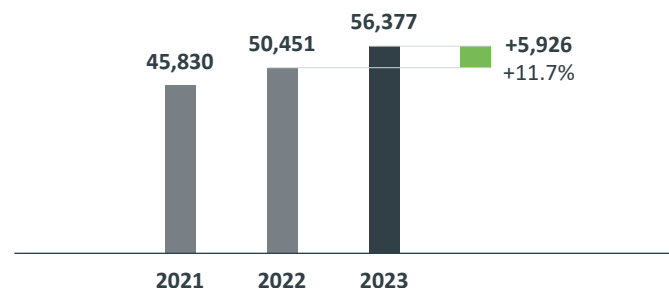
Loans and bonds (commercial and municipal)

Loans and bonds (commercial and municipal), gross, at the end of 2023 amounted to PLN 56,377 million. The year-on-year increase by PLN 5,926 million was mainly related to structured financing activity and financing of local government units. The table below presents the portfolio by business line.

Table 37. BGK's loans and bonds (municipal and commercial), gross (PLN million)

Item	31 Dec 2023	31 Dec 2022	YoY change	
			in nominal terms	%
Loans and bonds (municipal and commercial), gross	56,377	50,451	5,926	11.7%
Structured finance	26,073	21,789	4,284	19.7%
Export and foreign expansion financing	4,197	4,050	147	3.6%
Businesses and financial entities	4,717	5,235	-518	-9.9%
Local government institutions and municipal companies	14,401	12,435	1,966	15.8%
Central government entities	579	382	198	51.8%
Healthcare entities	1,711	1,864	-153	-8.2%
Financing of social housing	4,676	4,670	6	0.1%
Other	23	27	-4	-15.3%

CHART 4. BGK's loans and bonds (municipal and commercial), gross, at the end of 2021, 2022 and 2023



Loan portfolio statistics

The table presents BGK's portfolio of loans and commercial and municipal bonds by sector. Below are presented the changes in lending activity by sector.

TABLE 38. Structure of the portfolio of loans and bonds (municipal and commercial), gross, by industry (PLN million)

Industry (by NACE codes)	31 Dec 2023	31 Dec 2022	YoY change	
			in nominal terms	%
O Public administration and defence, compulsory social security ⁴³	14,852	11,028	3,824	34.7%
D Electricity, gas, steam and air-conditioning production and supply	6,930	4,736	2,195	46.3%
L Real estate activities	5,985	6,158	-173	-2.8%
C Manufacturing	4,279	4,018	261	6.5%
K Financial and insurance activities	4,000	3,555	446	12.5%
M Professional, scientific and technical activities	3,798	2,340	1,458	62.3%
H Transportation and storage	3,591	4,611	-1,020	-22.1%
F Construction	2,606	2,568	38	1.5%
B Mining and quarrying	2,272	2,927	-655	-22.4%
J Information and communication	2,177	1,557	620	39.8%
G Wholesale and retail trade; repair of motor vehicles and motorcycles	2,174	3,273	-1,100	-33.6%
Q Human health and social work activities	1,724	1,835	-111	-6.0%
E Water supply, sewerage, waste management and remediation activities	718	684	34	4.9%
N Administrative and support service activities	641	473	168	35.6%
I Accommodation and food service activities	287	299	-13	-4.2%
R Arts, entertainment and recreation	242	261	-19	-7.1%
P Education	37	51	-14	-28.0%
A Agriculture, forestry and fishing	29	38	-9	-23.8%
S Other service activities	11	11	0	2.7%
Individuals	23	28	-4	-15.6%
Total	56,377	50,451	5,926	11.7%

⁴³ Financing to local government units

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TABLE 39. BGK's share in the loan market⁴⁴

Item	31 Dec 2023	31 Dec 2022	YoY change
Loans	3.4%	2.9%	0.5 pp
financial sector entities	3.5%	3.4%	0.1 pp
non-financial sector entities	2.5%	2.2%	0.3 pp
public sector entities	29.0%	26.1%	2.8 pp

Impairment losses on loans and bonds

As at the end of 2023, impairment losses on loans and bonds (commercial and municipal) amounted to PLN 2,347 million, i.e. went up by PLN 559 million (up 31.3%) in relation to the balance as at the end of 2022.



⁴⁴ Source: NBP.

⁴⁵ Financing to local government units

TABLE 40. Loans and bonds (municipal and commercial), gross by industry and stage (PLN million)

Industry (by NACE codes)	Stage 1	Stage 2	Stage 3	POCI	Total
O Public administration and defence, compulsory social security ⁴⁵	12,975	1,710	147	20	14,852
D Electricity, gas, steam and air-conditioning production and supply	6,091	783	33	23	6,930
L Real estate activities	4,576	595	813	1	5,985
C Manufacturing	1,464	1,800	1,015	-	4,279
K Financial and insurance activities	3,885	113	2	-	4,000
M Professional, scientific and technical activities	3,344	360	94	-	3,798
H Transportation and storage	2,622	464	505	-	3,591
F Construction	1,705	543	358	-	2,606
B Mining and quarrying	1,936	198	137	-	2,272
J Information and communication	1,587	25	565	-	2,177
G Wholesale and retail trade; repair of motor vehicles and motorcycles	1,658	151	364	-	2,174
Q Human health and social work activities	678	197	423	426	1,724
E Water supply, sewerage, waste management and remediation activities	625	31	62	-	718
N Administrative and support service activities	618	0	23	-	641
I Accommodation and food service activities	88	-	199	-	287
R Arts, entertainment and recreation	48	89	105	-	242
P Education	30	-	7	-	37
A Agriculture, forestry and fishing	-	14	15	-	29
S Other service activities	2	4	5	-	11
Individuals	10	0	13	-	23
Total	43,943	7,079	4,886	469	56,377
<i>Structure</i>	<i>77.9%</i>	<i>12.6%</i>	<i>8.7%</i>	<i>0.8%</i>	<i>100.0%</i>

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Detailed information on the portfolio quality is presented in Notes 43-53 to the separate financial statements of Bank Gospodarstwa Krajowego for 2023, available on the [website](#) of the Bank.

TABLE 41. Claims subject to collection or restructuring and recoveries

Item	31 Dec 2023	31 Dec 2022	YoY change
Total claims subject to collection or restructuring (PLN million)	1,970	1,886	84
Number of claims subject to collection or restructuring	1,439	1,335	104
Recoveries (PLN million)	340	147	193

BGK is not involved in any litigation where the unit amount of the claim represents at least 10% of its equity. The total value of claims also does not exceed that threshold.

TABLE 42. Amount and structure of receivables that were subject to enforcement (PLN million)

Receivables by type	31 Dec 2023			31 Dec 2022		
	number	exposure value	collateral value	number	exposure value	collateral value
Loans	19	224	202	19	219	202
Sureties and guarantees	117	25	12	143	32	17
Other	18	35	4	17	28	3
Total	154	283	217	179	278	223

Debt securities

BGK's activities on the money market were primarily designed to achieve the following two objectives:

- management of the current liquidity position (investment of excess liquidity, including of the Ministry of Finance, for which BGK provides the public finance consolidation service),

- maintenance of a liquidity buffer in the longer term by holding short-term and/or highly liquid assets.

As in previous years, BGK continued to play an active role on the Polish money market, acting as the money market dealer. In 2023, BGK was ranked first in the ranking of dealer activities in the money and currency market prepared by the National Bank of Poland to promote banks that are the most active in the market, to which the NBP proposes to carry out the function of a money market dealer.

Current liquidity needs of BGK were regulated on the interbank market with basic liquidity instruments, mainly deposits, FX swaps, purchases of sell-back securities and sales of buy-back securities. In 2023, BGK's exposure to different types of financial instruments was the effect of the situation on the interbank market and the implementation of the adopted investment strategy.

TABLE 43. Value and composition of BGK's debt securities portfolio (PLN million)

Item	2023		2022		Zmiana r/r	
	Balance	Structure	Balance	Structure	in nominal terms	%
Debt securities (gross)⁴⁶	140,630	100.0%	125,605	100.0%	15,025	12.0%
NBP (money market) bills	114,084	81.1%	110,098	87.7%	3,986	3.6%
treasury bonds	17,071	12.1%	13,000	10.4%	4,071	31.3%
treasury bills	6,721	4.8%	0	0.0%	6,721	
bank bonds	1,405	1.0%	1,250	1.0%	155	12.4%
bank subordinated bonds	1,205	0.9%	1,214	1.0%	-9	-0.7%
covered bonds	143	0.1%	43	0.0%	100	232.6%

As part of its activity on the money market and the market of debt securities, BGK cooperated with the Ministry of Finance, e.g. by investing excess liquidity of the State Treasury.

⁴⁶ Corporate and municipal bonds recognised under loans and bonds (commercial and municipal)

Reverse repurchase agreements

Reverse repurchase agreements totalled PLN 5,269 million as at the end of 2023 and were lower by PLN 7,472 million (down 58.6%) compared to the end of 2022. The item mainly covers liquidity management operations of the Bank.

Equity investments

Net equity investments stood at PLN 7,066 million as at the end of 2023, up PLN 1,311 million, or 22.8%, compared to the end of 2022. The change mainly results from an increase of exposure to the Three Seas Initiative Investment Fund and higher valuation of PKO BP shares.

The Bank's investments and the composition of the Group are described in the separate and consolidated financial statements, which are available on the [website](#) of the Bank.

TABLE 44. Structure of BGK's portfolio of shares and investment certificates held (PLN million)

Item	31 Dec 2023		31 Dec 2022		Yoy change of the carrying amount		31 Dec 2023
	Carrying amount	Purchase price	Carrying amount	Purchase price	in nominal terms	%	Percentage share of BGK
Investment funds and AICs	5,565	5,240	4,755	4,541	810	17.0%	
PFR FI FIZAN	1,910	1,910	1,779	1,910	131	7.4%	30.0%
FEZ FIZAN	296	296	394	394	-98	-24.9%	100.0%
Vinci S.A. HiTech ASI S.K.A.	64	64	8	8	56	693.8%	100.0%
Vinci S.A. IQ ASI S.K.A.	7	7	7	7	-	-	100.0%
Vinci S.A. Da Gamma ASI S.K.A.	25	25	-	-	25	-	100.0%
Three Seas Initiative Investment Fund	2,613	2,613	1,924	1,924	689	35.8%	80.8%
Marguerite Fund	125	1	188	4	-63	-33.3%	14.1%
Marguerite II SCSp	326	194	341	239	-15	-4.5%	10.0%
Marguerite III SCSp	84	85	6	7	78	1,277.8%	15.3%
PGFF	115	46	107	48	7	6.8%	66.7%
Shares in public companies	1,310	818	801	819	509	63.6%	
PKO BP S.A.	1,232	800	742	800	490	66.1%	2.0%
PZU S.A.	73	14	55	14	18	33.5%	0.2%
other public companies	5	4	5	5	1	11.8%	
Other shares	156	149	156	150	-	0.3%	
KUKE S.A.	113	113	113	113	-	-	48.5%
Vinci S.A.	4	4	4	4	-	-	100.0%
other shares	39	32	39	33	-	1.2%	-
Shares in surety funds	35	43	44	51	-8	-19.4%	
Total	7,066	6,250	5,755	5,561	1,311	22.8%	

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Investment funds and alternative investment companies (AIC)

Indirect capital involvement of BGK in Poland

PFR Fundusz Inwestycyjny FIZ AN

PFR Fundusz Inwestycyjny FIZ AN finances investments in the following sectors: fuel and energy, chemical products and raw materials, consumer goods, trade and services, healthcare, industrial and construction and assembly production, technology, media, telecommunications, and infrastructure projects. Financing can be provided either as equity or debt financing and can be used to finance new assets or modernise existing assets. The fund focuses its investments in Poland.

Fundusz Ekspansji Zagranicznej

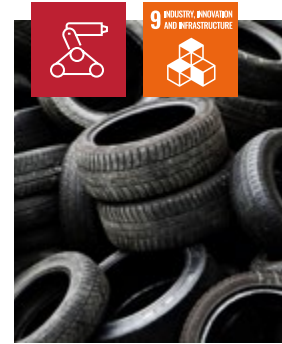
Foreign expansion of Polish businesses is supported through Fundusz Ekspansji Zagranicznej FIZ AN managed by PFR TFI S.A. The fund invested jointly with Polish partners in projects related to the establishment of new or acquisition of existing companies outside the borders of the Republic of Poland. The fund ended its investment period at the end of Q1 2023.

Vinci S.A.

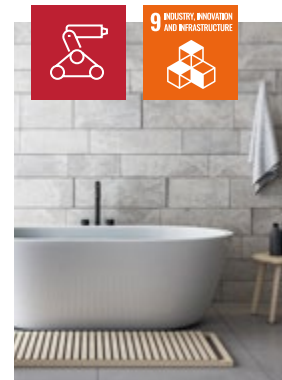
Vinci S.A. is an entity established by BGK in 2021. The company's business is the management of alternative investment companies (AICs) in the field of financing Polish entrepreneurs.

At the end of 2023, Vinci S.A. managed three AICs:

Vinci S.A. HiTech ASI S.K.A. was established to invest in Polish businesses active in the market of advance technologies, such as automotive, biotechnology, power generation, space, and ICT industries, as well as Industry 4.0.



Through an investment made by a subsidiary, Vinci S.A. HiTech ASI S.K.A., we supported the increase in production capacities of Contec S.A. with EUR 8 million. Contec recycles used car tyres using proprietary technology that is unique in the world. Produced raw materials generate a carbon footprint more than five times smaller than conventional raw materials.



Through a capital investment made by the subsidiary Vinci S.A. Da Gama ASI S.K.A. we supported further foreign expansion of Ready Bathroom Sp. z o.o., a Polish manufacturer of prefabricated bathroom modules used in residential and commercial construction. The investment is in line with trends related to the pursuit of higher cost efficiency in building construction and reducing its environmental impact.

Vinci S.A. IQ ASI S.K.A. is an entity searching for Polish innovative research-and-development projects. The company operates in the form of an incubation investment fund focused on projects at the earliest stages of development characterised by high level of scientific and technical expertise, patentability and commercial potential.

Vinci S.A. Da Gama ASI S.K.A. is an entity established in 2023 for the purpose of supporting foreign expansion of Polish businesses.

At the end of 2023, entities managed by Vinci S.A. had a total of three investments in their portfolio:

- Contec S.A. – the company specialises in processing car tyres through pyrolysis.

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- Oasis Diagnostics S.A. – the company is developing a medical device for the diagnosis of perinatal injuries.
- Ready Bathroom Sp. z o.o. – manufacturer of prefabricated bathroom modules.

See more on the [website](#) of Vinci S.A.

Indirect capital involvement of BGK abroad

An important element of the Bank's international investment activities is its engagement in [the Three Seas Initiative Investment Fund](#) (Three Seas Initiative Investment Fund S.A. SICAV-RAIF, 3SIIF). The Fund is the economic dimension of the Three Seas Initiative. BGK is the initiator, co-founder and main shareholder of the Fund. The primary objective of 3SIIF is to make commercial investments in projects in the area of transport, energy, and digital infrastructure on the north-south axis in the Three Seas Region states to improve their economic potential and reduce differences in development compared to Western Europe.

The Fund is currently in the investment stage. At the end of December 2023, the Fund's portfolio included five investment projects. The Fund has 11 shareholders: 2 private shareholders and development institutions from 9 countries: Poland, Romania, Latvia, Estonia, Lithuania, Slovenia, Bulgaria, Hungary and Croatia. Our exposure amounts to EUR 750 million (which accounts for 80.81% of the amount of contributions declared by the Fund's shareholders), while the total contribution paid by BGK by 31 December 2023 was EUR 601 million.

Other funds

The Bank is also an investor in [Polski Fundusz Funduszy Wzrostu](#) (Polish Growth Fund of Funds, PGFF) established in 2013 as a joint initiative of the Bank and the EIF. The PGFF invests in private equity (major share) and venture capital funds, with no industry specialisation, investing in Poland (dominating area) and other Central and Eastern Europe countries.

In addition, the Bank invested in pan-European funds established to finance infrastructure projects in the energy sector (including in generation of electricity from renewable energy sources), sustainable transport, digital infrastructure and circular economy, i.e. [Marguerite Fund](#)

(2020 European Fund for Energy, Climate Change and Infrastructure) Marguerite II SCSp and Marguerite III SCSp.

Investments made by investment funds (indirect investments of BGK)

Through certificates and shares held, the Bank invests in Poland and abroad. Presented below is information on the valuation of individual funds, the geographical structure of the investment(s) of funds and AICs by business model programme, with an indication of the supported UN Sustainable Development Goals.

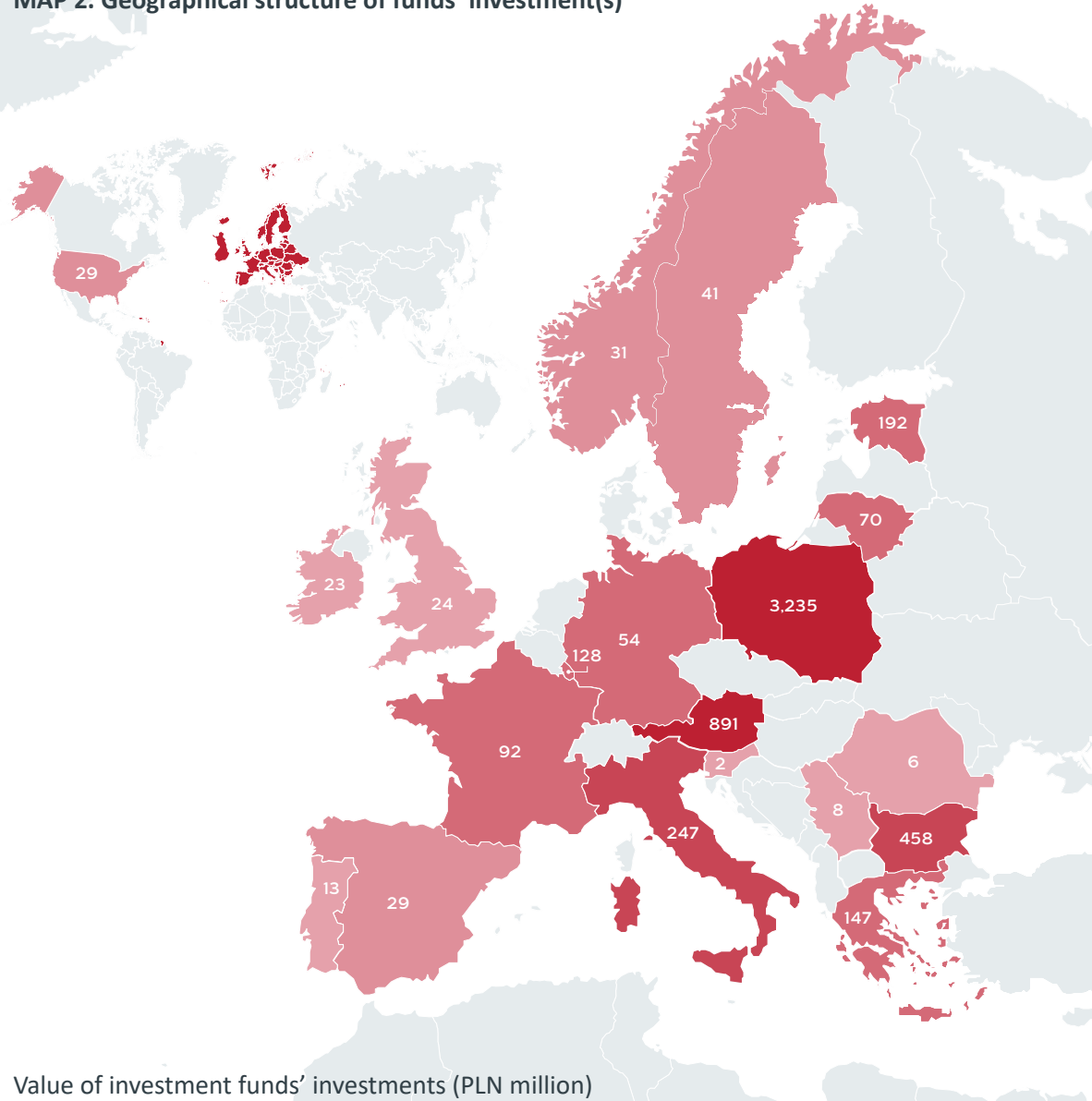
TABLE 45. Value of investments made by funds held by BGK and the Group (PLN million)

Item	31 Dec 2023		
	Purchase price	Carrying amount	Fair value
PFR FI FIZAN ⁴⁷	1,910	1,910	2,151
FEZ FIZAN ⁴⁷	296	296	366
Vinci S.A. HiTech ASI S.K.A. ⁴⁸	64	64	64
Vinci S.A. IQ ASI S.K.A. ⁴⁸	7	7	7
Vinci S.A. Da Gamma ASI S.K.A. ⁴⁸	25	25	25
Three Seas Initiative Investment Fund ⁴⁷	2,613	2,613	2,940
Marguerite Fund	1	125	125
Marguerite II SCSp	194	326	326
Marguerite III SCSp	85	84	84
PGFF	46	115	115
Total	5,240	5,565	6,203

⁴⁷ For PFR FI FIZAN, FEZ FIZAN and the Three Seas Initiative Investment Fund, the fair value was based on the net asset value of the fund per BGK's share held in a given fund.

⁴⁸ For Vinci S.A. and alternative investment companies the fair value was based on the carrying amount due to immateriality of fair value.

MAP 2. Geographical structure of funds' investment(s)



Value of investment funds' investments (PLN million)



TABLE 46. Value of funds' investment(s) by industry and by business model programme (PLN million)

Sector	Amount of investments by fair value	%
Energy production	1,758	28%
Education and development	1,320	21%
Transportation and storage	896	14%
Manufacturing	546	9%
Information and communication	456	7%
Construction	203	3%
Municipal services	194	3%
Administration services	111	2%
Trade and repair of motor vehicles	110	2%
Financial and insurance activities	67	1%
Other	59	1%
Other items of the statement of financial position of funds (other than investments), including cash, receivables	483	8%
Total	6,203	100%

Business model programme	Amount of investments by fair value	%
Infrastructure, transport and logistics	2,406	39%
Strategic security	2,274	37%
Industrial development	790	13%
Entrepreneurship development (SMEs)	165	3%
Healthcare	53	1%
Public finance	27	0%
Social and territorial cohesion	5	0%
Other items of the statement of financial position of funds (other than investments), including cash, receivables	483	8%
Total	6,203	100%

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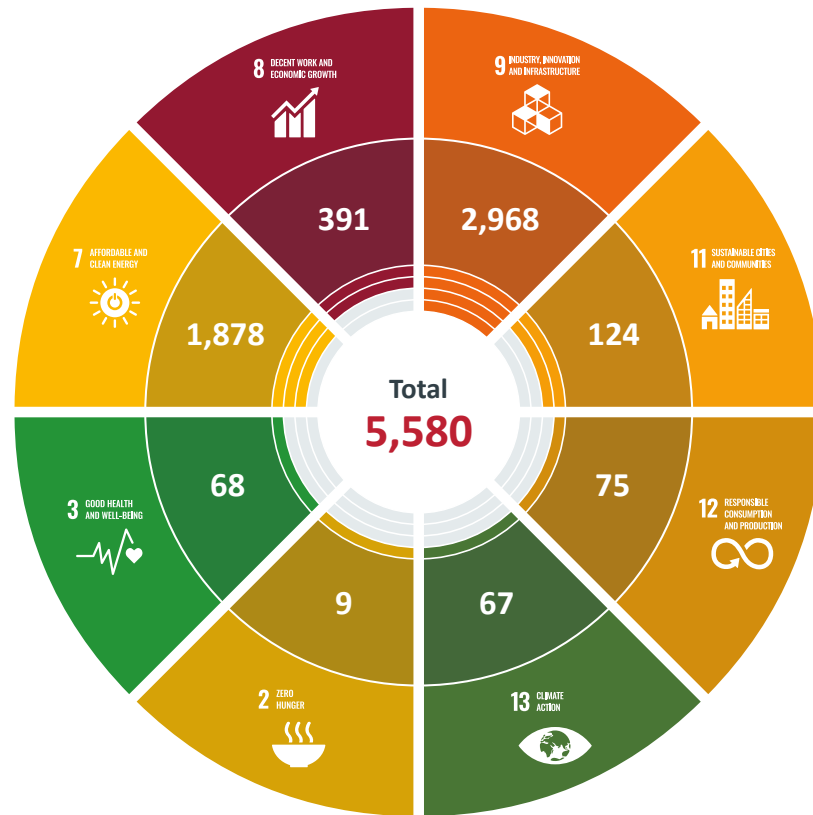
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BGK's investments made indirectly through domestic and foreign funds support the achievement of UN Sustainable Development Goals indicated in the chart below.

CHART 5. Support for the implementation of the UN Sustainable Development Goals through investments made by investment funds and AICs (PLN million)



Fair value of investments in investment funds and AIC: **6,203**, including:

- deposits supporting SDGs 5,580
- other deposits 140
- other items of the statement of financial position of funds, other than deposits 483

Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (Export Credit Insurance Corporation)

Korporacja Ubezpieczeń Kredytów Eksportowych S.A. (KUKE S.A.) is an expert in insuring a financing trade of Polish businesses. As part of its cooperation with KUKE S.A., we insure debt financing as well as guarantee and letters of credit in the area of financing export and support for foreign expansion of Polish businesses. In particular, this applies to the financing of transactions on high-risk markets covered by State Treasury guarantees. In addition, we provide financing to KUKE Finance S.A. (a subsidiary of KUKE S.A.), whose business consists in factoring activity and which is the largest non-banking entity in the sector in Poland.

The company's strategy for 2022–2024 envisages sustainable grows of its insurance portfolio. It also plans to undertake new, economically significant projects related to the promotion of a new export support system, Ukraine reconstruction programme and creation of energy transition solutions.

See more on the [website](#) of KUKE S.A.

Surety funds and the Krajowa Grupa Poręczeniowa Sp. z o.o.

SDG 8

In 2023, we disposed of shares in Lubuski Fundusz Poręczeń Kredytowych Sp. z o.o. of Zielona Góra, Opolski Regionalny Fundusz Poręczeń Kredytowych Sp. z o.o. of Opole, and Kujawsko-Pomorski Fundusz Poręczeń Kredytowych Sp. z o.o. of Toruń. As 31 December 2023, we had an equity interest in ten surety funds, of which nine were recognised as associates. The detailed list of those funds can be found in the consolidated financial statements of the BGK Group available on the [website](#) of the Bank.

Under an agreement of 2006, together with the surety funds we established a special-purpose vehicle Krajowa Grupa Poręczeniowa Sp. z o.o. (KGP Sp. z o.o.), whose objective was to undertake and support activities to strengthen surety funds and raise their importance as a special instrument supporting micro, small and medium-sized enterprises. In cooperation with the SPV and the surety funds, we prepared an IT solution for surety management and exchange of information (Ogólnopolski System Wspomagający Udzielanie Poręczeń, OSWUP).

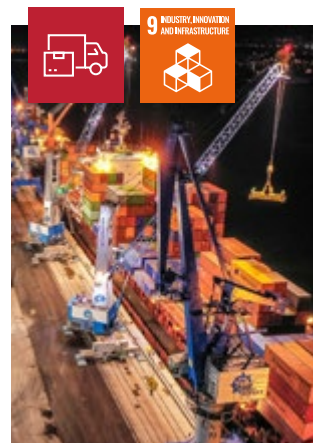
Prospects for equity investments and support for innovative projects

In the years to come, BGK intends to continue activities related to participation in investment funds, both Polish and foreign, which will support both the Bank's strategy and the Sustainable Development Goals.

In addition, BGK is working on the identification of market gaps to support the needs of businesses and contribute to the growth of innovation in the Polish economy.

We want to provide a positive impulse by stimulating and supporting venture building in specific areas (in particular 3W) to increase the chance of commercial success of ambitious technology projects. We established cooperation with an experienced organisation (venture builder) supporting technology firms in their systematic development.

We announced the 3W Challenge – read more in [Section V.1.3. 3W Idea](#).



Through a capital investment in BMF Port Burgas by an associated entity, the Three Seas Initiative Investment Fund, the expansion of freight transportation infrastructure was supported. BMF Port Burgas manages the Burgas East II and Burgas West terminals in Bulgaria. The project will result in the construction of a new container handling quay, which will be equipped with emission-free electric cranes.

Liabilities and equity

In 2023, total liabilities and equity were PLN 222,354 million, having increased year on year by PLN 15,561 million. The most significant change occurred in equity – up PLN 8,972 million (29.5%), to PLN 39,420 million, and liabilities to customers – up PLN 7,801 million (5.1%), to PLN 161,631 million.

TABLE 47. Structure of liabilities and equity of BGK (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Amounts due to banks	4,459	2.0%	4,531	2.2%	-72	-1.6%
Liabilities to customers	161,631	72.7%	153,830	74.4%	7,801	5.1%
Repurchase agreements	6,436	2.9%	6,574	3.2%	-138	-2.1%
Debt securities issued	1,831	0.8%	3,934	1.9%	-2,103	-53.5%
Other liabilities	8,577	3.9%	7,476	3.6%	1,101	14.7%
Total equity	39,420	17.7%	30,448	14.7%	8,972	29.5%
Total liabilities and equity	222,354	100.0%	206,793	100.0%	15,561	7.5%

Liabilities to customers

In 2023, BGK saw a year-on-year increase in the balance of deposits by PLN 7,801 million, i.e. 5.1%. The most considerable increase of PLN 6,406 million (up 7.2% year on year) was recorded in the public sector entities segment. The largest item in this group are funds deposited by the Ministry of Finance, which are subject to high volatility during the year.

BGK diversifies its market sources of funds to ensure the stable financing of assets.

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Customer deposits constitute an important source of financing, given the growing level of BGK's lending and investment activities, and ensure a safe level of liquidity. The geographical structure of deposits is largely homogeneous. Almost the entire amount of deposits as at the end of the year were made by customers with their registered office in Poland – mainly located in the Mazowieckie province (77.3%). The remaining funds were deposited by partners from the Podlaskie (4.3%), Śląskie (3.7%) and Pomorskie (3.0%) provinces.

TABLE 48. Volume and customer structure of BGK's deposit base (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Deposits from customers	161,631	100.0%	153,830	100.0%	7,801	5.1%
financial sector entities	23,213	14.4%	15,081	9.8%	8,132	53.9%
non-financial sector entities	35,763	22.1%	41,542	27.0%	-5,779	-13.9%
individuals	48	0.0%	46	0.0%	2	4.4%
corporates	35,715	22.1%	41,496	27.0%	-5,781	-13.9%
public sector entities	102,655	63.5%	97,207	63.2%	5,448	5.6%
central government entities	95,059	58.8%	90,361	58.7%	4,698	5.2%
local government entities	7,596	4.7%	6,846	4.5%	750	11.0%

Amounts due to banks

BGK continued its cooperation with international financial institutions in the area of acquiring new loans and under the existing agreements.

As at the end of 2023, liabilities under loans received from international financial institutions was PLN 2,641 million and decreased by PLN 93 million, or 3.4%, year on year.

Debt securities issued

Bank Gospodarstwa Krajowego has an open bond issue programme established in 2011, with a total nominal value of PLN 10 billion, designated for the issue of own bonds in the domestic market. The most recent issue under the programme was carried out in 2023.

In 2014, the Bank also established a programme to issue medium-term securities in the European market (EMTN) in compliance with Regulation S issued under the US Securities Act of 1933 (US Securities Act). Originally, the programme provided for the issue of euro notes secured with a State Treasury guarantee, but in 2020 it was expanded to include the issue of notes not covered by a guarantee to enable the financing of the Bank's own projects. The current maximum value of the programme is EUR 15 billion. Euro notes issued under the programme are offered on the basis of a prospectus, which is subject to annual approval by Commission de Surveillance du Secteur Financier ("CSSF"), the Luxembourg capital market supervisory authority.

In 2022, BGK further expanded the programme to enable issuing notes in the United States under Rule 144A issued under the US Securities Act (Rule 144A).

Each note issued by BGK under the MTN programme receives a credit rating from Fitch and Moody's and is listed on the regulated market of the Luxembourg stock exchange.

Issue of own bonds

TABLE 49. Bonds issued by BGK as at 31 December 2023 (PLN million and EUR million)

Own bonds	Issue date	Maturity date	Currency	Amount	Interest rate
BGK1127	16 Nov 2023	16 Nov 2027	PLN	1,276	6M WIBOR + 95 bps
EUR1226	11 Dec 2023	11 Dec 2026	EUR	125	3.75% p.a.

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Repurchase agreements

Repurchase agreements totalled PLN 6,436 million as at the end of 2023 and were lower by PLN 138 million, or 2.1%, compared to the end of 2022. The item mainly covers liquidity management operations of BGK.

Total equity

In the recent years, BGK maintained a secure and high level of equity enabling it to increase its lending and investing activities. As at the end of 2023, the Bank's total equity (including current and prior year profit) was PLN 39,420 million, having increased by PLN 8,972 million (29.5%) versus the end of 2022, mainly as a result of the Bank's recapitalisation with Treasury bonds with a total nominal value of PLN 5 billion on in June 2023 and retaining BGK's profit for 2022.

TABLE 50. Amount and structure of BGK's equity (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Total equity:	39,420	100.0%	30,448	100.0%	8,972	29.5%
Statutory capital	34,023	86.3%	26,879	88.3%	7,144	26.6%
Supplementary capital	1,783	4.5%	1,608	5.3%	175	10.9%
Other capital reserves	232	0.6%	-449	-1.5%	681	-
Revaluation reserve	232	0.6%	232	0.8%	0	0.0%
Prior year profit (loss)	0	0.0%	0	0.0%	0	-
Net profit	3,150	8.0%	2,178	7.2%	972	44.6%

Off-balance-sheet liabilities granted

The off-balance sheet liabilities granted were PLN 117,357 million as at the end of 2023 and were higher by PLN 8,556 million (7.9%).

TABLE 51. Balance of off-balance-sheet liabilities granted (PLN million)

Item	31 Dec 2023	31 Dec 2022	YoY change	
			in nominal terms	%
Off-balance-sheet liabilities granted	117,357	108,801	8,556	7.9%
Credit lines and limits	83,492	77,314	6,178	8.0%
Certificates, future contribution commitment	2,289	3,160	-871	-27.6%
Guarantee liabilities	31,183	27,938	3,245	11.6%
Other	393	389	4	1.0%

Overview of financial performance and financial standing of BGK

The year 2023 saw BGK's increased activity in the wake of the military conflict in Ukraine and reduced credit exposure of the banking sector related to financing of corporates and local government units. The Bank actively supported its customers by increasing the balance sheet stocks of loans and bonds by PLN 5,926 million (11.7%) to PLN 56,377 million and off-balance-sheet stocks of loans, bonds and guarantees by PLN 9,423 million (9.0%) to PLN 114,675 million.

As at the end of 2023, the Bank's financial standing was stable, as reflected by its strong financial performance and safe levels of its liquidity and capital adequacy ratios.



Custody business

The Bank maintains fiduciary accounts for customers for dematerialised financial instruments in book-entry form. As part of its trust activities, the Bank acts as the issue agent for corporate and municipal bonds.

TABLE 52. Trust activities (PLN million)

Securities	31 Dec 2023	31 Dec 2022	YoY change	
			in nominal terms	%
Bonds on deposit accounts	18,218	15,821	2,397	15.2%
Bonds in the issue sponsor register	5,217	3,091	2,126	68.8%
Treasury bonds entity 1	180,032	238,438	-58,406	-24.5%
KDPW	203,467	257,350	-53,883	-20.9%
Money bills	564	830	-266	-32.0%
National Bank of Poland (NBP)	564	830	-266	-32.0%
Municipal bonds on deposit accounts	47	49	-2	-4.1%
Other bonds on deposit accounts	358	361	-3	-0.8%
BGK	405	410	-5	-1.2%
Total	204,436	258,590	-54,154	-20.9%

7. Financial performance and structure of the statement of financial position of the BGK Group

Statement of profit or loss of the BGK Group

The BGK Group reported a net profit of PLN 3,732 million for 2023, up PLN 1,570 million relative to net profit earned in 2022. The increase was primarily attributable to higher net interest

income, which grew PLN 1,344 million, following the rise in interest rates and the Bank's commitment to financing the economy.

TABLE 53. Statement of profit or loss of the BGK Group (PLN million)

Item	2023	2022	YoY change	
			in nominal terms	%
Net interest income	4,309	2,965	1,344	45.3%
Net fee and commission income	451	317	134	42.3%
Net gains (losses) on financial instruments at fair value through profit or loss and foreign exchange gains (losses)	384	210	174	82.9%
Net gains (losses) on investments in financial assets and derecognition of assets	121	212	-91	-42.9%
Income from banking activities	5,265	3,704	1,561	42.1%
Other operating income / expenses	-142	-77	-65	84.4%
General administrative expenses	-868	-685	-183	26.7%
Net allowances for expected credit losses	-399	-301	-98	32.6%
Operating result	3,856	2,641	1,215	46.0%
Share of profit or loss of associates	705	32	673	2,103.1%
Profit before tax	4,561	2,673	1,888	70.6%
Income tax	-829	-511	-318	62.2%
Net profit	3,732	2,162	1,570	72.6%
Net profit attributable to the owner of the parent entity	3,732	2,162	1,570	72.6%

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CHART 6. The BGK Group's performance drivers in 2022-2023



Net interest, fee and commission income

Net interest, fee and commission income for 2023 amounted to PLN 4,760 million, up PLN 1,478 million, i.e. 45.0% year on year. The increase was attributable chiefly to BGK's performance, which improved year on year by PLN 1,467 million.

Net gains (losses) on financial instruments, investments in financial assets and derecognition of assets

Net gain on financial instruments, investments in financial assets and derecognition of assets for 2023 amounted to PLN 505 million and was PLN 83 million higher compared with the result achieved in 2022.

⁴⁹ Net gains (losses) on financial instruments at fair value through profit or loss and foreign exchange gains (losses).

⁵⁰ Net gains (losses) on investments in financial assets and derecognition of assets.

Other operating income / expenses

Net other operating expense for 2023 amounted to PLN -142 million and was PLN 65 million lower compared to the result achieved in the year before.

General administrative expenses

General administrative expenses of the BGK Group in 2023 amounted to PLN 868 million and were PLN 183 million higher compared with those incurred in 2022, having grown 26.7% year on year.

Net allowances for expected credit losses

The BGK Group's net ECL decrease for 2023 was PLN -399 million and was PLN 98 million lower compared with the result achieved in 2022.

Share of profit or loss of associates

The share of profit or loss of associates of the BGK Group in 2023 amounted to PLN 705 million and was PLN 673 million higher compared with that reported for 2022. This was due to an increase in the valuation of the PFR FI FIZAN Fund and the Three Seas Initiative Investment Fund.

Income tax

Tax expense for 2023 was PLN 829 million and was PLN 318 million higher compared to 2022.

The BGK Group's statement of financial position

The balance sheet total of the BGK Group was PLN 222,999 million as at the end of 2023.

The BGK Group's assets

The largest component of assets were debt securities, with a share of 63.1%, whose carrying amount as at the end of 2023 stood at PLN 140,682 million, having increased by 12.0% year on year.

The second largest component of assets in 2023 were gross loans and bonds (commercial and municipal), with a share of 25.3%, whose carrying amount as at the end of 2023 stood at PLN 56,487 million, having grown 11.6% year on year.

Net equity investments as at the end of 2023 amounted to PLN 7,581 million, accounting for 3.4% of total assets.

Changes in the remaining items recognised under assets of the BGK Group were attributable mainly to the management of the liquidity position of BGK as well as changes in prepayments and accruals and settlements.

TABLE 54. Asset structure of the BGK Group (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Cash, cash balances at the NBP	4,068	1.8%	3,300	1.6%	768	23.3%
Nostro accounts and interbank deposits	9,376	4.2%	9,473	4.6%	-97	-1.0%
Loans and bonds (commercial and municipal), gross	56,487	25.3%	50,606	24.4%	5,881	11.6%
Impairment losses on loans and bonds	-2,360	-1.1%	-1,803	-0.9%	-557	30.9%
Debt securities ⁵¹	140,682	63.1%	125,657	60.7%	15,025	12.0%
Reverse repurchase agreements	5,269	2.4%	12,741	6.2%	-7,472	-58.6%
Net equity investments	7,581	3.4%	5,894	2.8%	1,688	28.6%
Other assets	1,895	0.8%	1,153	0.6%	742	64.4%
Total assets	222,999	100.0%	207,021	100.0%	15,978	7.7%

⁵¹ excluding commercial and municipal bonds

The BGK Group's liabilities and equity

Liabilities to customers had the largest share in liabilities and equity of the BGK Group, representing 72.5% of total liabilities and equity as at the end of 2023. Liabilities to customers as at the end of 2023 amounted to PLN 161,582 million, up 5.0% year on year.

The 30.7% increase in the BGK Group's total equity to PLN 40,112 million was mainly due to the recapitalisation and retained earnings of BGK.

The value of the BGK Group's liabilities under securities issued at the end of 2023 amounted to PLN 1,831 million and was the same as that recorded by the Bank.

TABLE 55. Structure of liabilities and equity of the BGK Group (PLN million)

Item	31 Dec 2023		31 Dec 2022		YoY change	
	Balance	Structure	Balance	Structure	in nominal terms	%
Amounts due to banks	4,459	2.0%	4,531	2.2%	-72	-1.6%
Liabilities to customers	161,582	72.5%	153,816	74.3%	7,766	5.0%
Debt securities issued	1,831	0.8%	3,934	1.9%	-2,103	-53.5%
Repurchase agreements	6,436	2.9%	6,574	3.2%	-138	-2.1%
Other liabilities	8,579	3.8%	7,478	3.6%	1,101	14.7%
Total equity	40,112	18.0%	30,688	14.8%	9,424	30.7%
Total liabilities and equity	222,999	100.0%	207,021	100.0%	15,978	7.7%

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1. Scope of application of corporate governance rules
2. Changes in the regulatory regime
3. Tasks, scope of business and organisation of BGK
4. Rules, tasks and scope of activity of governing bodies and committees
5. Values, ethics, compliance
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7. Corporate governance rules and management, including in the area of sustainable development

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1. Scope of application of corporate governance rules

We recognise the importance of sound corporate governance, which in these times is the foundation of a stable organisation. The architecture of governance (G) processes is one of the key elements that ensure the sustainable nature of business with the consideration of the environmental (E) and social (S) goals. Governance sets the framework for the Bank's operations and enables the implementation of our strategy.

In particular, governance at the Bank consists of the principles of ethical conduct of employees and members of the Bank's governing bodies, anti-corruption measures, respecting the fair competition rules, compliance with AML/CFT obligations, reporting breaches, relevant remuneration and tax policies, as well as relationships with stakeholders. It also defines the powers, duties and responsibilities, as well as relations between the Supervisory Board, the Management Board and individuals performing key functions with the Bank.

Key elements of governance also include effective internal audit and risk management system. In addition, the efficiently-operating governance contributes to the risk mitigation whereto the Bank is exposed, including the conduct risk.

The corporate governance framework of BGK is defined by external legal acts, in particular:

1. [Act on BGK](#),
2. Banking Law,
3. [Articles of Association of BGK](#),
4. Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system, internal control system and remuneration policy in banks,
5. Resolution No. 289/2020 of the Polish Financial Supervision Authority of 9 October 2020 on the issue of Recommendation Z on internal governance rules in banks,
6. EBA guidelines on internal governance.

In addition, the Bank adopted [Principles of Corporate Governance for Supervised Institutions](#), issued by the Polish Financial Supervision Authority, taking into account its legal form of a state-owned bank, as well as the scale, nature and the specific features of its operations.

More details on the applied corporate governance principles are available on the [website](#) of the Bank.

Statement of compliance with corporate governance rules

Corporate governance does not only mean having internal regulations in place, but it also involves proper attitudes and actions of our organisation and employees in relation to adverse developments in the financial sector, which result in, inter alia, an erosion of stakeholders' trust in banks or their bankruptcy. That is why BGK keeps track of reports by regulators not only from Poland, but also from the entire European Union and the United States of America, in order to monitor its processes in a timely manner and effectively counteract the occurrence of adverse consequences of crises in financial markets.

The Bank continuously:

- monitored developments in global markets related to AML/CFT violations, exchange rate or LIBOR manipulation,
- analyses current trends in sustainable development and related to new technologies (robotisation/AI),
- develops management solutions.

In view of the activities undertaken by BGK, the Management Board represents that in 2023 the Bank applied the "Principles of Corporate Governance for Supervised Institutions" issued by the Polish Financial Supervision Authority, taking into account the scale, nature and the specific characteristics of the Bank's activities, and did not find any cases of non-compliance therewith.

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2. Changes in the regulatory regime

The operations of Bank Gospodarstwa Krajowego are subject to Polish and EU regulations. One of the basic elements of governance is the process of monitoring changes in the law, which involves coordinators of changes in the law representing various organisational units of BGK.

In 2023, 12 monthly legal alerts were issued and distributed within the Bank. The progress of the implementation work was regularly reported to the Compliance Department by the Bank's units responsible for implementing legal changes. The Management Board was informed each quarter of ongoing implementation work resulting from legislative changes.

TABLE 56. Changes in the law

	2023	2022
Implemented acts	52	44
Legal acts identified as requiring implementation (new)	11	21
Acts in the process of implementation	24	28

A significant implementation of legislation was related to provisions governing the area of the Bank's mandatory reporting and customer service in the area of identity verification using mDowód, a mobile version of the ID card.

In addition, taking into account the legal requirements resulting from the implementation of the National Recovery and Resilience Plan, we have introduced a Procedure for reporting breaches by third parties at BGK.

The most important changes that affect BGK's operations are summarised in [Appendix 8](#).

3. Tasks, scope of business and organisation of BGK

The Management Board and the Supervisory Board are BGK's governing bodies.

The Act on BGK defines the role, scope of activities and organisation of BGK, including the division of duties between the Supervisory Board, which is a supervisory body, and the Management Board, which is a managing body of the Bank.

The key objectives of BGK's activities, as defined in the Act on Bank Gospodarstwa Krajowego and separate legislation, include supporting the economic policy of the Council of Ministers, social and economic government programmes, as well as local government and regional development programmes.

The Articles of Association of BGK are adopted by way of a regulation by the Minister of Economy. The Articles of Association of BGK set out, among other things: detailed scope of the Bank's activities and powers of its governing bodies, the Bank's internal organisation, powers and duties of the President of the Management Board, the Bank's funds and its financial management principles.

Unless otherwise provided for by the applicable laws, the activities of the Bank are governed by the Banking Law.



4. Rules, tasks and scope of activity of governing bodies and committees

4.1. Supervisory Board

■ GRI 2-9, GRI 2-19, GRI 2-20

The Supervisory Board exercises permanent supervision of the activities of BGK in all areas of its operations. Its term of office is four years. The 10th term of the Supervisory Board began on 6 October 2020. As at 31 December 2023, the Supervisory Board was composed of 11 members, including the Chairperson, appointed from among the persons with appropriate qualifications (in accordance with the Act on BGK, the Supervisory Board may be composed of up to 14 members). Candidates for the BGK Supervisory Board must be approved by the Council for Companies with State Treasury Shareholding and State Legal Persons operating at the Chancellery of the Prime Minister of Poland. The Chairperson of the Supervisory Board is appointed and removed from office by the President of the Council of Ministers at the request of the Minister of Economy. The remaining members of the Supervisory Board are appointed and removed from office by the President of the Council of Ministers at the request of the competent ministers. A member of the Supervisory Board may not be a member of the Management Board.

Information on the current composition of the Supervisory Board is available on the [website](#) of the Bank.

Meetings of the Supervisory Board are held on a regular basis, at least every quarter. Resolutions of the Supervisory Board are adopted by absolute majority of votes in the presence of at least a half of its members, including the Chairperson or a Deputy Chairperson or a person designated to chair the meeting. Resolutions of the Supervisory Board are provided to the Management Board for implementation or for information purposes.

The table below presents the composition of the Supervisory Board as at 31 December 2023 together with the competence profile.

TABLE 57. Competence profile and independence of BGK Supervisory Board members as at 31 December 2023

First name and surname	Position in the Supervisory Board as at 31 December 2023	Independence criterion in accordance with the Act on Statutory Auditors, Audit Firms and Public Supervision	Knowledge and skills in accounting or auditing of financial statements	Knowledge and skills in banking
Paweł Borys	Chairman		✓	✓
Beata Gorajek	Deputy Chairwoman	✓		✓
Magdalena Tarczewska-Szymańska	Secretary		✓	✓
Michał Gajewski	Member			✓
Honorata Krysiwicz	Member			✓
Michał Kuczmierowski	Member		✓	✓
Kazimierz Kujda	Member		✓	✓
Wojciech Maj	Member	✓	✓	✓
Adam Rudzewicz	Member	✓	✓	✓
Jerzy Szmit	Member	✓		✓
Gertruda Uścińska	Member			✓

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In 2023, the composition of the Bank's Supervisory Board changed as follows:

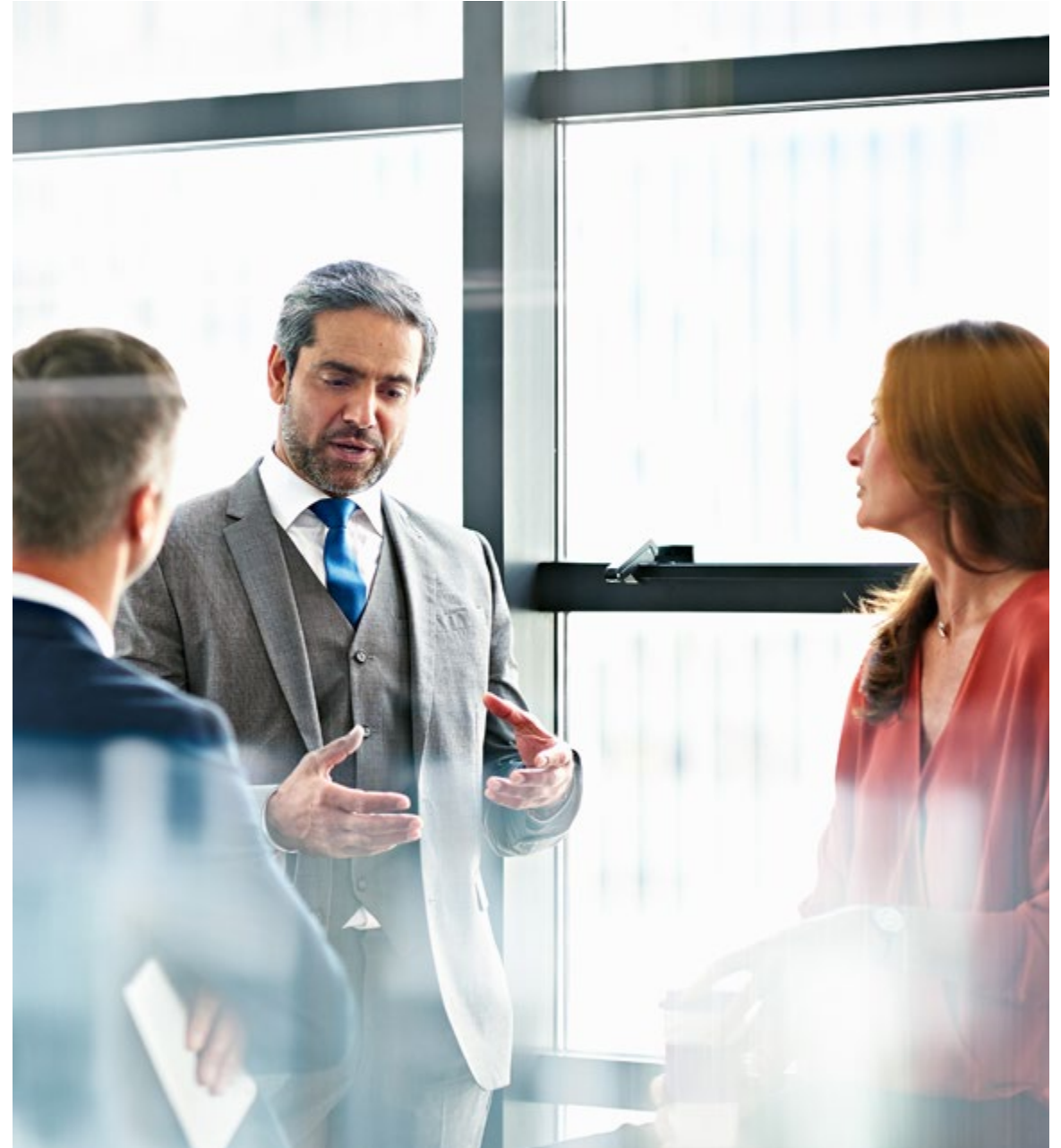
- On 5 January 2023, Piotr Pawliczak tendered his resignation as member of the Supervisory Board,
- The Prime Minister appointed the following persons to BGK's Supervisory Board: Gertruda Uścińska on 14 February 2023, Piotr Kieloch on 2 March 2023, Michał Gajewski on 27 March 2023, Kazimierz Kujda on 11 April 2023, Joanna Strzesak-Rochewicz on 26 May 2023, and Michał Kuczmierowski on 10 August 2023,
- The Prime Minister removed the following persons from the Supervisory Board of BGK: Zbigniew Krysiak on 25 May 2023, Joanna Strzesak-Rochewicz and Piotr Kieloch on 29 December 2023.

From 31 December 2023 to the date on which this report was signed, the composition of the Bank's Supervisory Board was changed as follows:

- The Prime Minister removed the following persons from the Supervisory Board: Jerzy Szmit and Kazimierz Kujda on 11 January 2024, Adam Rudzewicz, Beata Gorajek, and Michał Gajewski on 15 February 2024, Honorata Krysiowicz on 15 March 2024, and Wojciech Artur Maj on 27 March 2024.
- The Prime Minister appointed the following persons as members of the Supervisory Board as of 16 February 2024: Jacek Pierzyński, Jarosław Dariusz Dąbrowski, Katarzyna Przewalska, Magdalena Izabela Miętus, Marcin Jerzy Buczyński, Zbigniew Stasiak, Tomasz Szałwiński.

Remuneration of Members of the BGK Supervisory Board

Members of the Supervisory Board of BGK are remunerated in accordance with Article 10.1.5 of the Act on Rules of Remunerating Persons Who Manage Certain Companies and the Declaration of the Minister of Development and Finance of 14 October 2016 on rules for specifying the remuneration of the Members of the Supervisory Board of Bank Gospodarstwa Krajowego.



The table below presents the composition of the Bank's Supervisory Board and information on the term of office, attendance at meetings, and remuneration of individual Supervisory Board members in 2023.

TABLE 58. Role, attendance at meetings and remuneration (PLN) of the BGK Supervisory Board members as at 31 December 2023

First name and surname	Term in office in the Supervisory Board in 2023	Date of appointment to the Supervisory Board	Date of expiration of the current term of office	Attendance at meetings in 2023 (number of meetings attended by Supervisory Board members)	Function at the Board 2023	Remuneration
Paweł Borys	1 Jan – 31 Dec 2023	1 Sep 2016	5 Oct 2024	7 out of 8	Chairman	135,383.40
Beata Gorajek	1 Jan – 31 Dec 2023	26 Jul 2017	5 Oct 2024	8 out of 8	Deputy Chairwoman	137,923.68
Magdalena Tarczewska-Szymańska	1 Jan – 31 Dec 2023	22 Feb 2019	5 Oct 2024	8 out of 8	Secretary	137,923.68
Wojciech Maj	1 Jan – 31 Dec 2023	28 Oct 2021	5 Oct 2024	7 out of 8	Member	131,654.40
Zbigniew Krysiak	1 Jan – 25 May 2023	24 Sep 2019	removed from office	4 out of 8	Member	52,732.54
Honorata Krysiwicz	1 Jan – 31 Dec 2023	30 Jul 2020	5 Oct 2024	8 out of 8	Member	131,654.40
Jerzy Szmit	1 Jan – 31 Dec 2023	18 Jan 2016	removed from office	8 out of 8	Member	131,654.40
Piotr Pawliczak	1 Jan – 5 Jan 2023	12 Jan 2022	resigned	0 out of 8	Member	2,089.75
Adam Rudzewicz	1 Jan – 31 Dec 2023	12 Jun 2019	5 Oct 2024	8 out of 8	Member	131,654.40
Michał Gajewski	27 Mar – 31 Dec 2023	27 Mar 2023	5 Oct 2024	6 out of 8	Member	97,237.22
Michał Kuczmirowski	10 Aug – 31 Dec 2023	10 Aug 2023	5 Oct 2024	3 out of 8	Member	50,137.20
Kazimierz Kujda	11 Apr – 31 Dec 2023	11 Apr 2023	removed from office	6 out of 8	Member	90,555.92
Gertruda Uścińska	14 Feb – 31 Dec 2023	14 Feb 2023	5 Oct 2024	8 out of 8	Member	115,367.97
Piotr Kieloch	2 Mar – 29 Dec 2023	2 Mar 2023	removed from office	7 out of 8	Member	106,738.76
Joanna Strzesak-Rochewicz	26 May – 29 Dec 2023	26 May 2023	removed from office	4 out of 8	Member	75,382.75

In particular, the Supervisory Board's duties are:

- adoption of the Rules of Procedure for the Supervisory Board,
- appointment of members to the Supervisory Board's committees and adoption of their rules,
- approval of internal regulations related to the organisational structure of the Bank, operation and remuneration of the Management Board, including determination and review of the achievement of management objectives, evaluation of the effectiveness of the Management Board and approval of its report on the activities of the Group and the Bank,
- entrusting and monitoring the implementation of tasks in the area of internal audit and compliance,
- supervision of the management system, including maintenance of an adequate level of the Bank's own funds by, among other things, approving the report on risk management and capital adequacy,
- supervision of the operation of information technology and security of the ICT environment, bank security, and information security and personal data protection areas,

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- approval of the Bank's policy for the creation of new products, long-term development programmes and the schedule of works and expenditures,
- approval of financial statements and consolidated financial statements, including approval of profit distribution and coverage of loss, and determination of the purposes for which profit may be allocated,
- appointment of the audit firm and approval of the terms of cooperation,
- granting consent to the issue of bank securities, bonds, covered bonds, acquisition and disposal of property,
- approval of internal regulations on employee compensation, identification of key functions, rules of ethical conduct, conflict of interest management, disclosures regarding risk management and capital adequacy,
- adoption of rules for granting credit facilities, cash loans, bank guarantees, sureties and incurring other off-balance-sheet liabilities to persons and entities referred to in Article 79.1 and Article 79a of the Banking Law, as well as other off-balance-sheet liabilities granted at the request of persons and entities referred to in Article 79.1 of the Banking Law.

Committees

The Supervisory Board of Bank Gospodarstwa Krajowego has appointed the following committees which perform control or advisory and review functions:

- Audit Committee,
- Risk Committee,
- Remuneration and Nomination Committee.

TABLE 59. Composition of the BGK Supervisory Board's committees

First name and surname	Function	Term in office in 2023
Audit Committee		
Beata Gorajek	Chairwoman	1 Jan – 31 Dec 2023
Jerzy Szmit	Secretary	1 Jan – 31 Dec 2023
Adam Rudzewicz	Member	1 Jan – 31 Dec 2023
Joanna Strzesak-Rochewicz	Member	28 Nov – 29 Dec 2023

First name and surname	Function	Term in office in 2023
Risk Committee		
Zbigniew Krysiak	Chairman	1 Jan – 25 May 2023
Honorata Krysiowicz	Member Chairwoman	7 Mar – 14 Jun 2023 15 Jun – 28 Nov 2023
Wojciech Maj	Secretary Chairman	1 Jan – 27 Nov 2023 28 Nov – 31 Dec 2023
Piotr Kieloch	Member Secretary	15 Jun – 11 Dec 2023 12 Dec – 29 Dec 2023
Piotr Pawliczak	Member	1 Jan – 5 Jan 2023
Michał Gajewski	Member	28 Nov – 31 Dec 2023
Michał Kuczmierowski	Member	28 Nov – 31 Dec 2023
Remuneration and Nomination Committee		
Paweł Borys	Chairman	1 Jan – 31 Dec 2023
Magdalena Tarczewska-Szymańska	Secretary	1 Jan – 31 Dec 2023
Honorata Krysiowicz	Member	1 Jan – 7 Mar 2023 28 Nov – 31 Dec 2023
Gertruda Uścińska	Member	7 Mar – 31 Dec 2023

Audit Committee

The Committee was established in December 2007 under a resolution of the Supervisory Board from among its members. As at 31 December 2023, the Audit Committee was composed of three members, which met the requirements of the Act on Statutory Auditors, Audit Companies and Public Supervision of 11 May 2017.

The Audit Committee's duties are:

- to supervise the organisation of the internal audit function and compliance function,
- to monitor the financial reporting process, the management reporting process and audit procedures,
- to monitor the effectiveness of internal control and risk management systems,

- to determine the rules of cooperation with the audit firm.

A detailed scope of duties of and procedures followed by the Audit Committee are defined in the rules of the committee adopted by the Supervisory Board.

In 2023, ten meetings of the Audit Committee and four joint meetings with the Risk Committee were held. In addition, it issued four opinions jointly with the Remuneration and Nomination Committee. The Audit Committee also made one decision in writing. On 21 September 2023, a private meeting was held with the participation of the director of the Internal Audit Department. On 22 December 2023, members of the Audit Committee and the Risk Committee attended a meeting with the PFSA inspectors in connection with the inspection of the Bank to investigate a specific problem.

Risk Committee

The Committee was established in December 2015 under a resolution of the Bank's Supervisory Board from among its members.

The Risk Committee's duties include:

- to issue opinions on internal regulations regarding risk,
- to monitor the risk management system, including the implementation of the risk management strategy and the strategy of the IT and ICT environment security areas,
- to approve risk management and capital adequacy disclosures as well as ESG risk disclosures,
- to review reports on the prices of assets and liabilities in the context of the Bank's multi-annual development plan and the risk management model.

A detailed scope of duties of and procedures followed by the Risk Committee have been defined in the rules of the committee adopted by the Supervisory Board.

In 2023, seven meetings of the Risk Committee and four joint meetings with the Audit Committee were held. The Risk Committee also made one decision in writing.

Remuneration and Nomination Committee

The Committee was established in February 2013 by a resolution of the Supervisory Board from among its members. In January 2020, the Supervisory Board passed a resolution to extend the scope of competence of the Remuneration Committee and change its name to the Remuneration and Nomination Committee.

In particular, the Remuneration and Nomination Committee's duties are:

- to provide opinions on internal regulations on employee remuneration, identifying key functions and employees having a material impact on the risk profile, and to monitor their application,
- to make recommendations regarding the remuneration for persons responsible for management of the internal audit unit and the compliance unit,
- to propose management objectives for Management Board members and to evaluate their achievement,
- to issue opinions on agreements executed with Management Board members.

A detailed scope of duties of and procedures followed by the Remuneration and Nomination Committee have been defined in the rules of the committee adopted by the Supervisory Board.

In 2023, seven meetings of the Remuneration and Nomination Committee were held and the committee issued opinions on four documents jointly with the Audit Committee as part of its supervision of the organisation of the internal audit function and compliance function.

4.2. Management Board

■ GRI 2-9, GRI 2-10, GRI 2-11, GRI 2-19, GRI 2-20, GRI 2-17

Composition of the Management Board

The term of office of the Management Board is five years.

In accordance with the Act on Bank Gospodarstwa Krajowego, the Management Board is composed of six members, including the President, First Vice-President and Vice-President. The President,

First Vice-President, Vice-President, and the remaining members of the Management Board are appointed and removed from office by the President of the Council of Ministers at the request of the competent ministers. In addition, the appointment of the President of the Management Board and one member of the Management Board entrusted with the management of risk relevant to the operations of BGK must be approved by the Polish Financial Supervision Authority. The provisions of Articles 22a.2 and 22b of the Banking Law of 29 August 1997 apply accordingly.

The appointment and election of members of the Management Board is based on the criterion of knowledge, skills and experience appropriate to the functions and duties entrusted, as well as the guarantee of proper performance of their duties. The guarantee refers specifically to a given person's reputation, honesty and integrity, as well as their ability to conduct the Bank's affairs based on the principles of prudent and stable management.

The representation method is defined by the Act on Bank Gospodarstwa Krajowego and the Articles of Association of BGK, whereby declarations concerning the financial rights and obligations of the Bank may be made on behalf of BGK by:

- two members of the Management Board acting jointly;
- attorneys-in-fact – within the scope of their powers of attorney, acting independently or jointly with another attorney-in-fact or a member of the Management Board.

The Management Board holds meetings in accordance with the meeting schedule or as needed. The schedule of Management Board meetings is determined at the end of each year and specifies planned dates of the meetings in the following calendar year. The Management Board adopts resolutions at its meeting or in writing or by means of remote communication. A decision to that effect is made by the Management Board Member in charge of the area, to which the resolution relates. Resolutions of the Management Board are passed by a simple majority of votes in the presence of at least a half of its members. If voting results in a tie, the President of the Management Board has the casting vote.

The following changes occurred in the composition of the Bank's Management Board in 2023:

- On 31 January 2023, the Prime Minister removed Włodzimierz Kocon from the position of a Vice-President of the BGK Management Board.
- Dariusz Szwed, Member of the Management Board, tendered his resignation effective from 13 April 2023.

- The Prime Minister appointed Marek Tomczuk as member of the BGK Management Board as of 21 April 2023.

From 31 December 2023 to the date on which this report was signed, the composition of the Bank's Management Board was changed as follows:

- On 11 January 2024, the Prime Minister removed Beata Daszyńska-Muzyczka from the position of the President of the BGK Management Board.

In 2023, BGK's Management Board held 40 meetings and passed a total of 308 resolutions, 149 of which by circulation. All the meetings were held with a composition and in the form enabling the adoption of binding resolutions, as in-person meetings and in the form of a video conference.

The table below presents the composition of the BGK Management Board and the terms of office and attendance of its members.

TABLE 60. Composition of BGK's Management Board, roles and attendance at meetings in 2023

First name and surname	Function	Term in office in 2023	Date of appointment to the Management Board	Date of expiration of the current term of office	Attendance at meetings in 2023
Beata Daszyńska-Muzyczka	President	1 Jan – 31 Dec 2023	1 Dec 2016	removed from office on 11 Jan 2024	39 in 40
Paweł Nierada	First Vice-President	1 Jan – 31 Dec 2023	23 Sep 2016	23 Sep 2026	32 in 40
Włodzimierz Kocon	Vice-President	1 Jan – 31 Jan 2023	23 Mar 2016	removed from office on 31 Jan 2023	1 in 40
Radosław Kwiecień	Member	1 Jan – 31 Dec 2023	15 Nov 2016	23 Sep 2026	30 in 40
Tomasz Robaczyński	Member	1 Jan – 31 Dec 2023	1 Jun 2020	23 Sep 2026	35 in 40
Dariusz Szwed	Member	1 Jan – 13 Apr 2023	1 Dec 2021	resigned on 13 Apr 2023	10 in 40
Marek Tomczuk	Member	21 Apr – 31 Dec 2023	21 Apr 2023	23 Sep 2026	25 in 40

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The President of the Management Board

Beata Daszyńska-Muzyczka

is a graduate of economic universities with a specialisation in corporate finance management. She has been professionally active in the banking sector for over 25 years. From 2008 to 2013, she was a member and then the Chairwoman of the Supervisory Board of BZ WBK Nieruchomości, in 2015 she became a member of the Management Board of BZ WBK. President of the Management Board of BGK from 2016 to 2024. The initiator of the Three Seas Initiative Investment Fund and the originator of the 3W: Water-Hydrogen-Carbon initiative. As the President of BGK's Management Board, she was in charge of the Strategic Management Area.



First Vice-President of the Management Board

Paweł Nierada

graduated from the Warsaw University of Economics with a degree in finance and banking. He holds an MBA from the University of Minnesota. Since the mid-1990s he has gained experience in management positions at leading financial institutions and consulting firms, such as ING, Credit Suisse, NM Rothschild, Deloitte and ERSTE Bank Group. He was an expert at the Sobieski Institute (Poland's leading think tank). First Vice-President of BGK since 2016. Currently he is responsible for the Strategic Management Area and the Markets, Financial Affairs and Technological Development Area.



Member of the Management Board

Radosław Kwiecień

has a degree in economics from the Opole University, as well as from the SGH Warsaw School of Economics and the University of Banking. He holds an Executive MBA from the Kozminski University in Warsaw. He started his career in Bank Zachodni S.A. (currently Santander), continued in Powszechny Bank Kredytowy S.A., and from 2001, he worked in managerial positions at Bank Gospodarki Żywnościowej (currently BNP Paribas Bank Polska S.A.), where issues within his remit included the bank's operations. Since 2016, he has been a Member of BGK's Management Board in charge of the Risk Management Area.



Member of the Management Board

Tomasz Robaczyński

is a lawyer and a graduate of the University of Warsaw. He was also issued an absolution in art history at the Institute of Art History of the University of Warsaw. He has worked for the Ministry of Finance since 1999. In 2018, he became the Under-Secretary of State. His duties included the supervision of the state budget, the management of EU funds, financing of the public-sector entities and local governments. Since 2020, he has been a Member of BGK's Management Board. He supervises the Area of Government Programmes and Funds.



Member of the Management Board

Marek Tomczuk

is an economist with a PhD in social sciences. A graduate from the University of Economics in Kraków and the University in Rzeszów. He has more than 20 years of experience in the corporate and retail areas gained at international financial institutions, such as Citibank Handlowy, Kredyt Bank, Santander, Raiffeisen. In 2017, he was appointed Vice-President of the Management Board of Bank Pekao S.A. In 2021, he assumed the position of the Managing Director at BGK where he was first responsible for the Products and Financing Division. He was appointed as member of the Bank's Management Board in 2023. He is in charge of the Relationships, Operations and Settlements Area.

Information on the current composition of the Management Board is available on the [website](#) of the Bank.

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TABLE 61. Experience of the BGK Management Board members by industry/area

First name and surname	Banking	Consultancy	Capital markets	Investment funds	Risk management	Human resources management (HR)	Public finance	EU funds
Beata Daszyńska-Muzyczka	31 years			4 years	26 years	12 years		
Paweł Nierada	25 years	13 years	16 years		8 years			
Radosław Kwiecień	28 years				13 years			
Tomasz Robaczyński	4 years						25 years	18 years
Marek Tomczuk	23 years			7 years	4 years			

Remuneration of Members of the BGK Management Board

Members of the BGK Management Board are remunerated in accordance with the Act on Remuneration of the Management of Certain Entities of 9 June 2016, the Statement of the Ministry of Development and Technology on rules for specifying the remuneration of the

Members of the Management Board of Bank Gospodarstwa Krajowego, dated 19 April 2023, the Remuneration Rules for Members of the Management Board of BGK, and the Policy governing variable remuneration components of staff identified as having a material impact on the risk profile of Bank Gospodarstwa Krajowego.

The table below presents the remuneration of Members of the Management Board.

TABLE 62. Remuneration of the BGK Management Board members (PLN)

First name and surname	Function	Basic remuneration paid in 2023	Supplementary remuneration awarded and supplementary deferred remuneration paid in 2023 ⁵²	Supplementary deferred remuneration to be paid in subsequent years ⁵³	Supplementary remuneration for 2023 (to be paid after its approval by the SB ⁵⁴)
Beata Daszyńska-Muzyczka	President (until 11 January 2024)	1,096,000	897,378	739,200	1,096,000
Paweł Nierada	First Vice-President	904,000	707,200	582,400	904,000
Włodzimierz Kocon	Vice-President (until 31 January 2023)	208,000 (including severance pay of 156,000)	662,609	552,673	not eligible
Radosław Kwiecień	Member	904,000	707,200	582,400	904,000
Tomasz Robaczyński	Member	904,000	506,133	464,533	904,000
Dariusz Szwed	Member (until 13 April 2023)	178,533	374,400	249,600	178,533
Marek Tomczuk	Member (from 21 April 2023)	725,000	-	-	725,000

⁵² Payment of the non-deferred part of supplementary remuneration for 2022 (60%) and deferred part of supplementary remuneration for 2018, 2019, 2020 and 2021

⁵³ Deferred supplementary remuneration for 2019–2022

⁵⁴ Awarded supplementary remuneration for 2023. Based on the decision made by the Supervisory Board, 60% of the approved amount will be paid and 40% of the approved amount will be deferred for three years (the indicated amounts are maximum amounts that can be awarded).

TABLE 63. Post-employment benefits (PLN)

First name and surname	Function	Non-compete fee paid in 2023	Supplementary remuneration awarded and supplementary deferred remuneration paid in 2023	Supplementary deferred remuneration to be paid in subsequent years
Wojciech Hann ⁵⁵	Member of the Management Board until 31 December 2019	-	166,400	-
Przemysław Cieszyński ⁵⁶	Member of the Management Board until 30 November 2021	-	321,488	311,841
Dariusz Szwed	Member of the Management Board until 13 April 2023	-	374,400	249,600
Włodzimierz Kocon	Vice-President of the Management Board until 31 January 2023	312,000	662,609	552,673

The total remuneration of a member of the Bank's Management Board consists of a fixed base monthly remuneration, specified as a fixed amount, and a variable component, which comprises supplementary remuneration for a given financial year of the Bank. The base monthly remuneration of individual members of the Bank's Management Board is set by the Bank's Supervisory Board in separate resolutions. Supplementary remuneration of a member of the Management Board of the Bank for a given financial year depends on the degree of achievement of management objectives, which are related to the Bank's financial performance and achievement of basic objectives of its operations, supporting the strategy, sustainable development, long-term interests and stability of the Bank, as well as the effectiveness of work of individual Management Board members.

As regards variable remuneration, the Bank applies the following principles:

- variable remuneration may not exceed 100% of the fixed remuneration component for a given year,
- non-deferred part of supplementary remuneration amounts to 60% of the base, whereas 40% of the base is deferred,
- the period of deferral in the case of identified employees acting in the capacity of Management Board members is 36 months – in accordance with Article 11a of the Act on BGK.

Due to BGK's legal form (a state-owned bank) and the nature of its business, the Bank does not pay the variable remuneration portion in shares and instruments other than shares.

Committees

Within its competence, the Management Board has set up two obligatory committees: The Bank Financial Committee and the Bank Credit Committee, in addition to nine committees in charge of specific areas of the activities pursued by BGK. These Committees are collegial bodies that carry out review and decision-making functions and whose composition and duties are set out by way of a resolution of the Management Board. The Committees operate based on their respective rules adopted by the Management Board.



⁵⁵ Deferred supplementary remuneration for 2018 and 2019

⁵⁶ Deferred supplementary remuneration for 2018, 2019, 2020 and 2021

TABLE 64. Main tasks of BGK's Committees

■ GRI 2-14 ■ TCFD 1.B

Capital in the value creation model	Committee	Main tasks of the Committee:
<p>The only bank of its kind</p> <p>Value creation</p> <p>Employees</p> 	Bank Financial Committee	<p>The primary objective of the committee is to determine the current, mid-term and long-term asset and liability management policy of the Bank. Its purpose is to optimise the Bank's performance and the efficiency of capital allocation, while considering an appropriate level of the exposure to banking risk and the nature of tasks fulfilled by the Bank with respect to the administration of funds established, entrusted or transferred to the Bank under separate legislation or other legal acts. The Committee also acts as the Investment Policy Committee, which is in charge of, among other things, decision-making related to approval of high-value investments and investments generating a high risk.</p> <ul style="list-style-type: none"> management of the level of the Bank's market and liquidity risks and counterparty risk issuing opinions on the measures taken with respect to capital management issuing opinions on activities related to the Bank's investments carried out on its own account and issuing opinions on the investment policy and the investment strategy of the Bank determination of the desired structure of the Bank's assets and liabilities so as to ensure an appropriate return while optimising the level of risk assumed by the Bank
<p>Environment</p> <p>Achievements</p> <p>Governance</p> <p>Risk management</p>  	Bank Credit Committee	<p>The Committee focuses on BGK's own and commissioned activities which are exposed to the credit risk. Its duties include making decisions regarding loan applications, applications for restructuring or debt collection operations and the acquisition of assets that fall within the committee's competence, as well as the performance of periodic loan portfolio reviews and taking action in the area of rating model management.</p> <ul style="list-style-type: none"> making decisions on credit applications as well as restructuring, debt collection and asset seizure applications expressing opinions on the Bank's further participation in transactions performance of quarterly credit portfolio reviews and making decisions regarding classification to relevant investment risk categories issuing opinions on/acceptance of changes in product procedures, reports granting and managing guarantee risk limits
<p>Outlook</p> <p>Reporting</p>  	Bank Operational Risk and Internal Control Committee	<p>The Committee was established with a view to ensure effective management of operational and compliance risk and the control function in the organisation. It carries out review and decision-making functions.</p> <ul style="list-style-type: none"> initiation and coordination of activities related to identification, assessment and monitoring of the operational risk, compliance risk and reputational risk issuing opinions on the level of limits for operational risk supervision over the process of recognition/reversal of provisions for operational risk
<p>Appendices</p> 	Bank Change Committee	<p>The primary objective of the Committee is to manage the portfolio of projects (including projects, programmes and initiatives) falling within its remit, in particular to ensure that projects are implemented in accordance with the Bank's strategy. The Committee also acts as the Product Committee.</p> <ul style="list-style-type: none"> change management, ensuring compliance with the Bank's strategy product architecture and process management supervision of process optimisation linking the business and IT areas

Capital in the value creation model

Committee

Main tasks of the Committee:

	<p>Expenditure Authorisation Committee</p>	<p>The primary objective of the Committee is to ensure the high cost efficiency of current activities and projects supporting the implementation of the Bank's strategy.</p> <ul style="list-style-type: none"> ▪ optimisation of processes related to spending funds for the implementation of the Bank's initiatives and activities of significant value ▪ analysis and assessment of cost efficiency and issuing recommendations on cost optimisation ▪ recommending and supporting actions related to alternative types of spending ▪ monitoring the level of authorisations granted under budgets
	<p>Data Quality Management Committee</p>	<p>The Committee was established to ensure effective and efficient management of data quality and to build an organisational culture in which special attention is given to ensuring proper quality of data entered to and processed in IT systems. The Committee carries out review and decision-making functions.</p> <ul style="list-style-type: none"> ▪ defining goals and activities related to data quality management ▪ management of and supervision over data quality control and data monitoring ▪ issuing opinions on the measures taken with respect to capital management and recommending changes
	<p>Model Management Committee</p>	<p>The overriding objective of the committee is to supervise and control all models at BGK, including actions taken in the area of model management and model risk reporting to the Management Board, the Supervisory Boards and the Risk Committee.</p> <ul style="list-style-type: none"> ▪ issuing opinions on non-essential and essential models and making recommendations ▪ acceptance and monitoring of remedial or corrective actions related to models ▪ issuing opinions and approval of reports on model risk and issuing opinions on model management rules ▪ exercise of supervision and control over the validation process at the Bank
	<p>Bank Architecture Committee</p>	<p>Corporate architecture is a catalyst for communication between business, technology and project areas of the organisation. It provides a common platform for cooperation between these areas and supports them in their day-to-day activities. The main objective of the Bank Architecture Committee is to ensure the adoption of architecture-driven development discipline.</p> <ul style="list-style-type: none"> ▪ management of architectural governance ▪ improving discipline and architecture maturity in the organisation ▪ establishment and maintenance of a connection between the implementation of the architecture, architecture strategy and objectives set out in the corporate architecture and the strategic business objectives
	<p>Bank ESG Committee</p>	<p>The Bank ESG Committee was set up in early 2023 to coordinate activities related to sustainable development, management of ESG factors and development of the ESG Competence Centre at the Bank. Detailed tasks of the Committee are described in Section 8. Corporate governance management in the area of sustainable development and Section VII.9. ESG risk.</p> <ul style="list-style-type: none"> ▪ making decisions on activities related to sustainable development and ESG and making recommendations to the Management Board on directional and strategic decisions ▪ monitoring the achievement of strategic objectives ▪ issuing opinions and making decisions on measures to keep the ESG risk for lending and investment activities at an acceptable level ▪ formulating recommendations to other committees and units on sustainable development and ESG matters

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5. Values, ethics, compliance

GRI 2-23, GRI 2-24, GRI 2-25, GRI 3-3 Topic: Corporate culture, ethics, compliance and transparency of information

Responsible management principles, Code of Ethics

Our organisational culture is based on the values of openness, teamwork and responsibility. In our operations, we are guided by clearly defined principles of ethical conduct, internal regulations, applicable laws, corporate social responsibility and transparency. The Code of Ethics of BGK constitutes a collection of values, rules and standards which we follow in business and social operations. We have adopted it to show the foundation whereon we build our relationships with employees, customers, business partners, communities and other stakeholders. The Code covers the gift policy, the policy on management of conflicts of interest, reporting breaches, preventing corruption and fraud, and relationship marketing. The Code applies to all the Bank's employees, regardless of their job title, as well as to members of the Supervisory Board and the Management Board of the Bank. Moreover, in our operations we pursue the standards arising from the Code of Banking Ethics adopted by the Polish Bank Association.



- Code of Ethics of BGK
- BGK's gift policy
- Conflict of interest management policy at BGK
- BGK's anti-corruption policy

In 2023, we revised the Code of Ethics, emphasising sustainability aspects, among other things. The Code of Ethics is published at [website](#) of the Bank.

We are committed to building and promoting an ethical culture among employees and for that reason in 2023 we took a number of measures to this end:

- a survey of ethical awareness, which covered 56% of the Bank's organisational units representing all areas of BGK's operations,
- mandatory e-learning training on ethical standards and compliance,

- adaptation training for new employees,
- strengthening knowledge through numerous workshop meetings, training courses and initiatives where compliance issues were promoted (Compliance Day, Compliance Newsletter, Risk Coordinator Academy, Summer Practice Academy, meetings of the Compliance Department with the Regions).

TABLE 65. Attendance at training on ethical standards

Participants	2023
Management Board of the Bank	100%
Management staff	91%
Employees	94%



509

new employees trained on ethical issues

The Bank also carried out an assessment of compliance with rules of ethical conduct in 2023, which took into account, among other things, the standards of conduct displayed by employees, work culture, relations with the Bank's partners, sustainable development and corporate social responsibility matters. The Bank's observance of ethical standards was assessed as very strong, which is the best score in a five-grade rating system.

Compliance with regulations

GRI 2-27, GRI 417-2, GRI 417-3, GRI 206-1, GRI 418-1

In 2023, we did not identify any significant instances of non-compliance with laws, market standards and internal regulations. We also recorded no legitimate complaints about the processing of our customers' personal data. We identified 18 information security incidents that resulted in breaches of personal data of customers or those representing them.

In 2023, the Supreme Administrative Court issued two rulings on the Bank's tax matters. The first concerned the need for a change in the tax treatment of interest on bonds purchased on the secondary market. The second was related to the application of value-added tax to maintenance of a book-entry account. The Bank complied with both of the rulings and made the applicable adjustments where necessary.

On 22 November 2023, the PFSA initiated an administrative procedure to impose a penalty on BGK under Art. 176i.1.4 of the Act on Trading in Financial Instruments. At the current stage of the procedure, it is not possible to estimate whether any penalty will be imposed on the Bank and it is not possible to make a reliable estimate of the amount of the potential penalty. The administrative procedure is currently expected to be completed by May 2024.

In the context of monopolistic practices, we would like to point out that in line with its mission BGK plays an integration and complementary role in supporting entrepreneurs, and our activities are not intended to be competitive with those of other banks. In 2023, no proceedings were conducted against the Bank concerning restriction of competition, infringement of collective consumer interests or the use of prohibited contractual clauses.

We eliminate corruption

■ GRI 205-1, GRI 205-2, GRI 205-3 ■ SDG 16

The Bank’s business activities are based on integrity, ethical conduct and zero tolerance for corruption and financial fraud. We do not accept any actions that violate impartiality and transparency.

In particular, we object to the following: fraud, obtaining [assets] under false pretence, theft and falsification, including making false statements and using the Bank’s assets, including information, for personal purposes.



- BGK’s anti-corruption policy
- BGK’s gift policy

The Bank applies restrictions on the offering and accepting of gifts by employees, as well as benefits related to participation in occasional meetings. None of the above situations can create a conflict of interest or affect the objectivity, impartiality and independence of the employee. Benefits given, accepted and returned in excess of the specified amount limit are each time recorded in the Gift Register.

In 2023, we did not find any instances of corruption at the Bank, which demonstrates the high awareness of anti-corruption standards and the effectiveness of the applied control mechanisms. We also monitor activities related to the risk of corruption on an ongoing basis, including activities carried out as part of the AML process and financial settlements recorded in the Bank’s systems.

TABLE 66. Attendance at training on anti-corruption issues

Participants	2023	2022
Management Board of the Bank	100%	100%
Management staff	90%	92%
Employees	94%	95%

In the analysis of all Bank’s operations in terms of corruption risk we identified areas particularly vulnerable to the corruption risk and indicated mitigating measures implemented in the Bank with respect to each area to reduce the risk. Persons in charge of units where business relationships are established were subject to additional training on the ongoing verification or testing of anti-corruption mechanisms.

We foster the awareness of employees so that they can effectively counter the risk of corruption. In 2023, employees participated in a mandatory e-learning course on, among other things, the principles of the anti-corruption policy, which ended with a knowledge test. We communicated the rules regarding the offering and acceptance of gifts during holiday periods, as well as participation of employees in external events. We also implemented a tool for the management of relationships with the Bank’s stakeholders. Moreover, as part of the Compliance Day, a discussion panel on anti-corruption was held.

All employees are required to report breaches, including potential breaches related to corruption, fraud or conflicts of interest in the whistleblowing system.

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contracts with business partners in 2023 with anti-corruption clause

We expect our business partners to observe anti-corruption standards, which is why in agreements we include anti-corruption clauses, in which we inform them about the Bank's anti-corruption standards. For details on our approach to relations with supplier, refer to the Code of Conduct for BGK's Business Partners available on the [website](#) of the Bank.

KYC – Know Your Customer

Our priority is to safeguard customers and the financial system from financial and economic crime.

In observing the KYC laws and regulations, we are guided by the following principles:

- A thorough analysis of the client's profile,
- Due diligence in determining the ownership structure and control of clients as well as in the course of identification of the beneficial owner,
- Maintaining relations only with clients and business partners after conducting the customer due diligence process,
- Prohibition of advising clients on law and regulations, in particular on how to circumvent laws and regulations,
- Prohibition of concluding transactions and establishing relations involving any form of illegal activity, including, for example, money laundering, financing of terrorism or proliferation of weapons of mass destruction.

Additional requirements observed by the Bank in the KYC process are described in the section Anti-money laundering and counteracting the financing of terrorism (AML/CFT) and We observe international sanctions.

Anti-money laundering and counteracting the financing of terrorism (AML/CFT)

The internal AML/CFT procedure covers all areas of the Bank's operations, and one of its key elements is the application of financial security measures, including identification and verification of customers, analysis of the customer's transactional profile and assigning a relevant risk group. We employ due diligence in determining the ownership structure and control of clients as well as in the course of identification of the beneficial owner.

When establishing relations, we take into account factors that may affect reputational risk.



- BGK's rules regarding anti-money laundering and counteracting the financing of terrorism (AML Procedure)
- Know Your Customer rules

We apply enhanced financial security measures with respect to:

- relations or transactions that may involve a higher risk of money laundering or terrorism financing, in particular with regard to cross-border relationships with institutions being correspondents from countries other than EU Member States and with regard to politically exposed persons,
- situations where the relationship or client's transaction involves:
 - high risk third countries,
 - countries which are identified by reliable sources as countries with a high level of corruption or other criminal activity, countries which finance or support the committing of terrorist acts or with which the activities of terrorist organisations are linked,
 - countries against which the United Nations or the European Union have decided to impose sanctions or specific restrictive measures,
- establishing economic relationships with an entity whose registered office is located in or is established in a country included in Annex I (black list) and Annex II (grey list) to the EU list of non-cooperative jurisdictions for tax purposes.

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Issues related to anti-money laundering and countering the financing of terrorism and personal data protection are the subject of regular training organised for the Bank’s employees.

We observe international sanctions

In our operating activities we apply sanctions/limitations introduced by national and EU law and we take into account sanction lists and programmes prepared by, among others, the Office of Foreign Assets Control (OFAC) and the UK Office of Financial Sanctions Implementation (OFSI).

In order to effectively implement AML regulations and international sanctions, BGK does not establish or maintain relationships with:

- fictitious banks,
- individuals or entities subject to EU financial sanctions,
- entities in which owners, or individuals representing it, are subject to EU financial sanctions (unless explicitly stated in the regulations), including but not limited to: entities whose registered office, place of residence of representatives, place of business or other circumstances indicate any association with North Korea or Iran, and entities whose registered office or place of residence of their representatives is in Syria, Venezuela or Cuba.

We continuously screen parties to transactions (principal, beneficiary, principal’s bank, beneficiary’s bank, intermediary bank) and their titles against sanctions lists to ensure that the transactions carried out do not breach any applicable sanctions.

Reporting breaches

GRI 2-26

Employees can report any discovered cases of non-compliance with the law, the Bank’s internal regulations, adopted rules or ethical standards, identifying themselves or anonymously.



- Procedure for reporting breaches at BGK
- Procedure for reporting breaches by third parties at BGK

Potential and actual breaches may be reported through dedicated communication channels:

- intranet form,
- e-mail,
- post,
- helpline,
- in person to a designated group of people in the Bank.

If the breach is confirmed in a verification of the report, we take appropriate corrective and preventive measures to avoid the recurrence of similar situations in the future. We guarantee that the identity of employees who report breaches and the reported information are kept confidential, and we guarantee protection against retaliatory actions, discrimination or other unfair treatment that could result from reporting a breach. The identity of the reported person is also protected.

TABLE 67. Reports made in the whistleblowing system

	2023	2022
Total number of all reports	10	3
Confirmed breaches	4	1

In addition, in order to meet the requirements of the Directive of the European Parliament and of the Council on the protection of persons who report breaches of Union law, in 2023 we implemented a procedure for reporting breaches by third parties who are not employees of the Bank.

The procedure allows reporting a breach, including anonymously, via email, post or in person. We ensure the confidentiality of external whistleblowers, their protection against repression or other forms of unfair treatment as well as the right to receive feedback on the report.

Detailed information is published the [website](#) of the Bank.

We manage conflicts of interest

GRI 2-15

We take up necessary actions with the intention to avoid conflicts of interests and should some conflicts arise – we manage them appropriately. In order to prevent conflicts of interest, employees are required, among other things, to report:

- any additional professional activity resulting in competitive activity, a conflict of interests or a potential conflict of interests or links (organisational or personal ones),
- personal transactions that may cause a conflict of interests if an employee, as part of their official duties, would have a privileged position in acquiring financial instruments or at the issuer.

Additional rules and procedures for making decisions by the Management Board or the Supervisory Board in the case of conflicts of interest concerning members of the Bank’s governing bodies are laid down in BGK’s Articles of Association.

In 2023, we aligned the Conflict of interest management policy with the amendments to the Labour Code with regard to an employee engaging in additional competitive activity. When we revised our policy, we also identified sustainability as an area that affects the risk of conflict of interest in relations with clients and business partners.

Information on conflicts of interest of members of the Management Board and the Supervisory Board is included in the prospectus and disclosed in BGK’s full-year financial statements.

The Conflict of interest management policy is available at the [website](#) of the Bank.

BGK’s disclosure policy

We regularly and in an organised manner pursue the informational policy providing up-to-date information by way of publicly available and internal communication channels. We pursue a transparent disclosure policy with respect to our stakeholders, including the Bank’s customers and bondholders, providing them with clear and reliable information. When disclosing information, we follow governance rules and comply with relevant obligations concerning bank secrecy, professional secrecy, confidential information and access to public information. We also duly fulfil our disclosure obligations arising from our status as an issuer of bonds admitted to trading on regulated markets and in alternative trading systems.

The public relations officer of the Bank shall be responsible for informational cooperation.

The information policy is available on the Bank’s [website](#).

All current and periodic reports published by the Bank are also available on the Bank’s [website](#).



- Conflict of interest management policy
- Conflicts of interest policy in the context of provision of investment services or additional services
- Rules for the acceptance and giving of monetary and non-monetary benefits (incentives)

Approach to tax

GRI 207-1

Through consistently and timely payment of taxes we support sustainable socio-economic development of Poland. Tax revenues enable reducing social inequality and differences in the development of different regions of Poland.

We meet standards for correct and transparent tax settlements. In 2023, we met our tax obligations in all areas required by tax law, taking into account the scope of our business and the types of assets owned. As a result, the Bank's Total Tax Contribution in Poland amounted to PLN 916.7 million.



- Tax strategy at BGK

On the Bank's [website](#), we disclose information on tax matters in the annual information on the pursued tax strategy published in accordance with Article 27c of the Corporate Income Tax. Information on BGK's tax strategy for 2023 will be published by 31 December 2024.



Value chain – relations with counterparties

GRI 308-1, GRI 2-6

We carry out procurement procedures in accordance with generally applicable laws, observing the following principles:

- competitiveness
- economy
- transparency
- equal treatment
- effectiveness
- innovation
- preventing exclusion
- proportionality
- sustainable development

In addition, we apply internal regulations that introduce additional rules, in particular:

- zero tolerance for fraud and corruption,
- fair competition and antitrust law,
- prevention of conflicts of interest,
- payment timeliness.

In our procurement proceedings, we seek to achieve the business objective while respecting the law and procurement rules and standards by introducing requirements and criteria for evaluation of bids that are related to environmental protection, social issues and management standards. When submitting a bid, the contractor is requested to complete a CSR survey, which counts towards the contractor's overall score in the procedure. We make sure that counterparties with whom we execute agreements observe the [Code of Conduct for Business Partners](#), which is made available to all potential contractors.



- [Code of Conduct for Business Partners](#)
- Principles of purchasing and procurement at BGK

In 2023, we assessed 89.5% of new suppliers of orders worth more than PLN 10 thousand against environmental criteria.

TABLE 68. Percentage of new suppliers which completed the CSR survey and answered questions on environmental criteria

	2023	2022
Number of all new suppliers	200	259
Number of suppliers that were subject to environmental assessment	179	229
Percentage of suppliers	89.5%	88.6%

In total, in 2023 we carried out 22 procedures in the Public Procurement Law regime and 243 procedures based on an internal procurement instruction. The above CSR survey is attached to the procedure carried out in accordance with internal procurement rules, while in other procedures, if possible under the Public Procurement Law and based on the subject matter of the contract, we also apply bid selection criteria related to sustainable procurement.

■ GRI 204-1, GRI 2-6

In 2023, we had contracts with 648 suppliers, of which: 638 in the area of supplies, services and products (long- and short-term agreements) and 10 with financial intermediaries (distribution of funds under government programmes and EU funds).

TABLE 69. Structure of suppliers by place of their registered office

	2023	2022
Poland	96.5%	96.0%
European Union	1.2%	2.5%
Outside European Union	2.3%	1.5%

A supplier is considered local if it conducts business registered in the Republic of Poland. The list presented above includes the percentage of suppliers having a representative office in Poland.

The total value of expenses on payments to domestic suppliers in 2023 amounted to PLN 461.2 million, which represented 95.5%, while expenses on payments to foreign suppliers amounted to PLN 27.9 million.

TABLE 70. Proportion of spending on local suppliers (PLN million)

	2023	2022
Total expenditure of the organisation on the purchase of goods and services	489.1	412.8
Expenditure of the purchase of goods and services from local suppliers	461.2	385.9
Proportion of spending on local suppliers	95.5%	93.5%

Our human rights commitments

■ GRI 2-23, GRI 2-24

We comply with national and international law, including commonly recognised human rights and freedoms. Caring for human rights is reflected in the Bank’s strategy, business model, internal regulations, and the documents governing our relations with external stakeholders. We are convinced that respect for human and labour rights is a strong foundation for conducting business based on sustainability and social commitment.



- [Code of Ethics of BGK](#)
- [“Respect at a workplace” employee relations policy](#)
- [Human Rights Statement of BGK](#)

While undertaking initiatives or creating internal regulations relating to human and labour rights, we draw from, among others:

- International Bill of Human Rights (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights,
- eight fundamental conventions identified in the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work,
- The UN Convention on the Rights of Persons with Disabilities,
- United Nations (UN) Guiding Principles on Business and Human Rights,
- OECD Guidelines for Multinational Enterprises.

Through our strategy, we contribute to the achievement of the UN Sustainable Development Goals. The business model programmes support the implementation of the goals through relevant banking products. Business model programmes that are of crucial importance for sustainable development are Social and territorial cohesion, Infrastructure, transport and logistics, Strategic security, Healthcare and Housing. In the case of the last one, a special group of beneficiaries can be identified, namely people with the lowest income and those living in disadvantaged areas.

Through our strategy, we contribute to the achievement of the UN Sustainable Development Goals. The business model programmes support the implementation of the goals through relevant banking products. Business model programmes that are of crucial importance for sustainable development are Social and territorial cohesion, Infrastructure, transport and logistics, Strategic security, Healthcare and Housing. In the case of the last one, a special group of beneficiaries can be identified, namely people with the lowest income and those living in disadvantaged areas.

Issues related to human rights and labour rights are covered in several internal documents.

The Employee Relations Policy “Respect in the workplace” is intended to create a work environment free from mobbing and discrimination and other unethical behaviour that may be related to gender, age, disability, race, religion, nationality, sexual orientation, trade union membership, political beliefs, education, professional experience, duration and form of employment.



The rules of employment and development at BGK define, among other things, the directions of the Bank’s activities to ensure full integration and comprehensive development of employees with disabilities, e.g. by respecting equal rights in employment.

The BGK Code of Ethics, also addresses equal treatment and counteracting mobbing. In this document we commit to equal treatment of people when entering into and terminating the employment relationship, as well as with regard to the employment conditions, promotion and access to training aimed at raising professional qualifications, in particular regardless of gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, religion or non-denominationalism, sexual orientation, employment for a limited or unlimited term, under a full-time and part-time contract). The Code of Ethics of BGK also refers to the engagement of the Bank’s employees in political and social activities and the freedom of expression.

The Bank also offers solutions that enable employees to report situations in which their rights could have been violated. Detailed rules and channels of such reporting as well as the relevant procedure are defined, e.g. in the Anti-mobbing procedure and in the Procedure for reporting breaches at BGK.

Our approach to human rights is presented in our [Human Rights Statement](#).

6. Internal control system

Our Bank's risk and control structure is based on the three defence lines model designed to provide a stable foundation for risk management by defining the scope and division of supervisory responsibilities.

	First line of defence	Second line of defence	Third line of defence
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Risk management	It covers operational risk management and is based on the functioning of organisational units that generate risks affecting the achievement of the Bank's goals in their in day-to-day activities.	It involves risk management by employees at positions or in business units established specifically for that purpose (independently of risk management in operating activities) and the activities of the compliance unit (Compliance Department). The second line units are responsible in particular for independent vertical monitoring of the processes carried out by the first line of defence. The second line of defence is composed of a total of 16 organisational units and positions.	It covers internal audit function designed to assess and evaluate, in an independent and unbiased manner, the control mechanisms in the first and second line of defence and the Bank management system, including the effectiveness of the system used to manage the risk inherent in the Bank's operations.
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The purpose of the internal control system is to ensure operational effectiveness and efficiency, reliability of its financial reporting, compliance with risk management policies as well as conformity with the applicable laws, internal regulations and market standards. It also takes into account the activities of our subsidiaries and third parties engaged by us through outsourcing. Due to the nature of the Bank's operations, as part of our internal audit system we also monitor financial intermediaries and lending banks.

The audit function is an element of the internal audit system comprising all control mechanisms of the Bank, independent monitoring of compliance with those mechanisms, and a reporting system.

The Compliance Department (CD) operating as part of the second line of defence reports to the President of the Management Board. The Compliance Department exercises supervision through:

- compliance risk management and reputational risk management,
- regulatory and advisory support in the area of capital market and trust activities,
- managing confidential information and preventing market abuse (MAR),
- conducting compliance tests (independent verification of regulatory compliance and the effectiveness of implemented control mechanisms),
- independent monitoring of MiFID/WIBOR/WIRON communications and personal transactions of employees,
- monitoring the practice and development of market standards, including in the area of AI and ESG.

The independence of the compliance function is ensured, among other things, thanks to its supervision by the Audit Committee and the requirement for its plans, reports and changes in the position of the director to be approved by the Supervisory Board. In addition, the director has right of an unlimited access to and free contact with members of the Management Board, the Supervisory Board and the Audit Committee.



- BGK's compliance policy
- Rules of organisation of control functions at BGK

BGK has an Internal Audit Department (IAD) that reports directly to the President of the Management Board, in accordance with the Articles of Association. Its task is to investigate and evaluate, independently and objectively, the adequacy and effectiveness of the risk management and internal control systems. As a result of the audits, the Internal Audit Department issues improvement recommendations and subsequently monitors and verifies their implementation.

In compliance with external requirements and best practices, all operations of BGK are subject to audit. The internal audit function at BGK follows the IIA's International Standards for the Professional Practice of Internal Auditing, which is confirmed by regular independent external reviews. The most recent review was made in late 2022 and confirmed full compliance with the standards.

In line with regulatory requirements, BGK has mechanisms in place which guarantee independence of the audit function, including supervision of the audit function by the Audit Committee, approval of plans, reports and changes in the position of the audit unit head by the Supervisory Board, and the right of unlimited access to and free contact with members of the Management Board, Supervisory Board and Audit Committee.

Table 71. Number of tests and internal audits conducted

	Types of actions	2023	2022
Control function (excluding the CD)	Vertical tests	145	70
	Compliance testing	28	21
CD	MiFID/ WIBID/WIBOR monitoring	36	24
IAD	Audits	44 (4 ad hoc)	40

Based on the tests and audits carried out at the Bank, recommendations are made, which are recorded in a central register of recommendations. It serves as the basis for both all recommendations made at the Bank and those issued to it by external audit firms, the PFSA or consulting firms. The status of implementation of the recommendations is monitored by the Operational Risk Department on a monthly basis and reported to the Management Board.

Reporting of incidents and critical events/concerns

GRI 2-16

BGK has an internal classification of critical concerns, which are reported to the Bank's Management Board through various channels. They include:

1. critical information security incidents,
2. incidents considered as major in accordance with the definition included in the Act on the National Cyber Security System, implementing regulations and PSD2,
3. critical non-compliance incidents,
4. critical reports from employees related to e.g. mobbing or discrimination at work, recognised as valid by the Anti-Mobbing Commission,
5. critical operational events recorded in the Operational Risk Register,
6. critical irregularities identified by the control function,
7. critical irregularities identified in compliance tests conducted by the Compliance Department,
8. critical irregularities identified in internal audits.

Information on such events and incidents is provided to the Management Board in reports on operational risk, compliance risk and reputational risk and is discussed at meetings of the Management Board and the Bank Operational Risk and Internal Control Committee. In critical situations, a meeting of the crisis management team may be convened. If critical irregularities are detected, depending on the unit/function that identifies them, they are immediately reported to: the Management Board, the Audit Committee, the Supervisory Board.

In 2023, we identified one critical concern:

- one critical operational event.

In other categories, there were no critical incidents in 2023. In the case identified, actions were taken in accordance with the applicable internal regulations and relevant mitigation measures were implemented.

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7. Corporate governance rules and management, including in the area of sustainable development

Management of impacts

GRI 2-12

The Management Board is responsible for the management of impacts, including through the implementation of BGK’s strategy for 2021–2025. The Management Board and directors in charge of individual areas, as well as representatives of key organisational units, took an active part in its development. The strategy highlights the unique role of our organisation as a development institution that takes countercyclical measures and fills market gaps. One of the five pillars of the Bank’s strategy is sustainable development, which is also reflected in its mission and vision. We react to challenges, we implement changes, we adjust our internal policies and procedures to regulatory requirements and best market practices in the area of sustainable development. Our goal is to achieve the ESG rating in the fifth decile of European banks by the end of 2025.

We monitor the impact of the organisation on the economy, environment and people, inter alia, by observing progress in the achievement of strategic objectives on a quarterly basis. For each of the five strategy pillars annual action plans are established, which are cascaded across the organisation. The Management Board members in charge of individual pillars of the strategy oversee the implementation of their goals on an ongoing basis. In addition, they are responsible for individual business model programmes that implement the objectives of the organisation, resulting in an impact on the economy, environment and people.

TABLE 72. Responsibility of Management Board members for individual pillars of BGK’s strategy in 2023

First name and surname	Strategic pillar	Business model programme
Beata Daszyńska-Muzyczka	international business and cooperation and general supervision of strategy implementation	
Paweł Nierada	digital and process transformation	Industrial development Entrepreneurship development
Radosław Kwiecień	sustainable development, effective management model	Infrastructure, transport, logistics Strategic security Public finance
Tomasz Robaczyński	social commitment	Healthcare Social and territorial cohesion Housing
Marek Tomczuk		General supervision of business model programmes

Implementation of the Bank’s business plans is monitored quarterly with the support of IT tools that verify the completion of key tasks, achievement of financial indicators and market data. Sustainability policies are reviewed annually and any amendments are subject to the approval by the Management Board. At least once a year the Management Board also assesses compliance with the rules of ethical conduct at the Bank.

See more on the implementation of the strategy and the Bank’s impact in [Section II Creation of value](#).

The Bank has an Industry and ESG Risk Management Division, which is managed by the Management Board member in charge of the risk area.

TCFD 1.B

In early 2023, the ESG Committee was established, composed of representatives of key units from the perspective of management of ESG issues and leaders responsible for coordinating the

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Bank's environmental, social and governance activities:

- Chief ESG Officer – function performed by a member of the Management Board – Radosław Kwiecień,
- Environmental Officer,
- Social Officer,
- Governance Officer,
- and members representing other areas of the Bank.

The ESG Committee's tasks are described in [Section VI.4.2. Management Board](#).

Objectives of the members of the Management Board of the Bank in terms of sustainable development

■ GRI 2-18 ■ TCFD 4.A

The annual objectives of the Bank's Management Board members are defined by the Supervisory Board and are monitored on a regular basis. The Supervisory Board also adopts relevant resolutions on progress in their achievement, which takes place after the approval of the report of the Bank's Management Board on activities and the financial statements for a given financial year. The management objectives are related to financial performance and the achievement of the core objectives for the Bank's operations, in particular its mission. In 2023, all members of the Management Board were assigned ESG-linked goals, including in relation to:

- ESG risk management,
- ensuring accessibility for people with special needs,
- development of a remuneration model that takes into account ESG performance,
- adjusting the attractiveness of BGK's offer for sustainable projects,
- supporting the 3W ecosystem,
- efforts to promote building social capital,
- adjusting the way relational units operate in the context of social and economic challenges and needs.

As of January 2023, the member of the Management Board in charge of risk is the Chairman of the ESG Committee and is accountable for its work. Radosław Kwiecień is the Management Board member leading the Sustainable Development pillar. The Management Board member

responsible for government programmes and funds, Tomasz Robaczyński, is also the leader of the Social Commitment pillar, managing the Bank's efforts to build social capital. Since the beginning of 2024, a remuneration model linked to ESG performance for the senior management staff has been in effect. For more information, see [Section III.2. Working conditions](#).

Competencies in sustainable development

■ GRI 2-17

In 2023, multiple sustainability projects were carried out, including workshops, webinars, regular meetings of the Bank's management.

Representatives of the Bank's governing bodies regularly participate in discussions and publications on sustainability issues. We cooperate with the NGO community and we engage in their projects. We take active steps to build the ESG ecosystem in Poland. We support projects in line with the Sustainable Development Goals. We organise discussion panels that facilitate the exchange of knowledge and experience between experts from different backgrounds and organisations that work towards sustainable development.

In 2023, members of the Management Board also participated in events related to ESG topics, such as:

- International Climate Summit TOGETAIR 2023, panel entitled "Will global crises, war and geopolitics impede progress in the achievement of global climate goals?",
- 6th Development Vision Forum,
- "ESG Compass" Congress,
- Global SME Finance Forum,
- Precop 28 conference,
- Strategy and Leadership in the Age of ESG educational programme,
- Banking Challenges Conference, panel discussion "Demand for bank credit in the anticipated macroeconomic situation and in the context of energy and ecological transition",
- 3rd Conference of MIT Sloan Management Review Poland,

- COP 28,
- ESG 2023 Innovators Forum and Gala – debate among CEOs.

Sustainable Development Ambassador Programme

In 2023, we officially ended the “Sustainable development” project. The conclusion of project works led to a smooth transition to day-to-day operations based on a new management structure, including an ESG Committee and a network of ambassadors.

In February 2023, we launched the Sustainable Development Ambassador Programme in response to our internal need to build a network of people who have a good understanding of ESG and know how to navigate the processes involved.

More than 130 people from 76 units of the Bank have joined the programme, thanks to which information on sustainability is disseminated within the Bank. The ambassadors cascade the acquired knowledge to their teams and engage their colleagues in programme-related activities. In 2023, we organised nine meetings on issues such as carbon footprint, circular economy, sustainable agriculture, water quality and protection in Poland, greenwashing, sustainability challenges and trends.

Dialogue with stakeholders

In 2023, once again we organised external discussion panels with key stakeholders of BGK in accordance with the AA1000SES standard. The Bank’s representatives listened to the comments and opinions of stakeholders regarding BGK’s sustainable development activities, its strategy and their recommendations for the future. We analysed all the comments received. Answers to some of the comments are included in this report, whereas other requests will be addressed in other materials or in direct communication.

For more details about the stakeholder engagement process see [Section IV.2 Our stakeholders](#).

Corporate governance in the area of ESG risk management

■ GRI 2-13 ■ TCFD 1.A

A procedure defining the principles of ESG risk management at BGK has been in effect since 1 January 2023. ESG risk management is implemented at all levels of the Bank’s organisational structure.

Supervisory Board

The Supervisory Board exercises supervision over the introduction of risk management system and evaluates its adequacy and efficiency in particular through:

- approving risk management policies,
- approving acceptable risk level and monitoring its compliance,
- annual assessment of the adequacy and the effectiveness of the risk management system.

Management Board

The Management Board designs, implements and ensures the operation of the risk management system, in particular by:

- reviewing the Bank’s current and future readiness to accept risk, including the acceptable risk level,
- developing and introducing policies and ensuring the implementation of procedures defining risk management principles and monitoring compliance with them,
- approving the adopted strategic limits,
- promoting, developing and evaluating the risk culture.

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Committees appointed by the Management Board

For details on the scope of responsibility of committees, see [Section V.2. Social commitment](#)

Unit responsible for ESG risk management

The main unit responsible for identifying, measuring, monitoring, controlling and mitigating ESG risks is the ESG Risk Office, which is a part of the Industry and ESG Risk Management Division. The office is responsible for preparing the ESG risk assessment report, which is submitted to: the ESG Committee, the Management Board and the Supervisory Board.

Other organisational units

Other BGK organisational units involved in ESG risk management processes include the Investment Department, the Financial Risk Department, the Operational Risk Department, the Credit Risk Strategy Department, the Change and Process Management Department, the Compliance Department and the Bank's relations units.

For a detailed description of the ESG risk management structure, refer to ESG Risk Disclosures of BGK as at 31 December 2023 (Pillar III, ESG) available on the [website](#) of the Bank.

Risk management

1. Organisation of the risk management process
2. Credit and concentration risk
3. Financial risk
4. Operational risk
5. Business risk
6. ESG risk
7. Compliance risk
8. Reputational risk
9. Capital adequacy and leverage risk
10. Other risks

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1. Organisation of the risk management process

Risk management at BGK is aimed at:

- ensuring the stability and security of the Bank’s operations,
- maintaining a high quality of assets,
- achieving the anticipated financial result within an acceptable risk level.

The risk management system in place at the Bank comprises:



Risk appetite is determined by the acceptable level of total capital ratio, short-term and long-term liquidity ratios, cost of credit risk, and the acceptable level of individual risk types.

The Bank has established a risk culture, which means standards, attitudes and actions relating to risk awareness, taking the risk by the Bank and risk management, as well as control mechanisms related to risk. Risk culture affects decisions made by the management and employees and the risk taken by them.

At least once a year, the Bank overviews the implementation of the Risk Management Strategy and the functioning of the risk management system. Based on the overview report, the Supervisory Board of the Bank assesses the adequacy and effectiveness of this system.

Detailed information on risk management and capital adequacy is presented in the Report on Risk Management and Capital Adequacy of BGK as at 31 December 2023 (Pillar III) and Disclosure of ESG risk of Bank Gospodarstwa Krajowego as at 31 December 2022 (Pillar III, ESG), available on the [website](#) of the Bank.



- Risk Management Strategy at BGK
- internal policies, rules, procedures and instructions relating to management of other risks identified in BGK’s operations

2. Credit and concentration risk

Organisation of the credit and concentration risk management process

Credit risk is the most important element of financial risk to which the Bank is exposed in its activities. To identify credit risk and mitigate it to an acceptable level, and for the purposes of controlling the effectiveness of its actions taken on a continuous basis, we use a credit risk management process that comprises risk identification, measurement or assessment, monitoring, control (including mitigation) and reporting, together with assessment of the efficiency of the adopted risk mitigation measures.

Credit risk management is carried out with respect to:

- customer risk, accounting for an individual credit exposure,
- loan portfolio risk,
- credit risk and concentration risk related to the activities of subsidiaries.

We apply a prudential approach to the credit risk management process. Key characteristics of the current risk management system are:

- separation of sales functions from client risk assessment at both region and Head Office levels of BGK,
- comprehensive credit risk assessment for all customers and transactions, so as to assign them to a specific credit risk category,
- application of statistical and expert methods for measuring credit risk arising from transaction and customer risk, supporting the estimation of the probability of default and the amount of relevant loss,
- a system for measuring portfolio risk by assessing its concentration by industry, sector, type of product and borrower,
- a system of decision-making competencies,
- regular verification of the risk of past transactions, including changes in the financial condition of borrowers and in the Bank's environment,
- diversification of industry and sectors, types of products and borrowers, within the resource exposure limits set out by the Bank,
- determination of impairment allowances on credit exposures,
- analysis and verification of valuation principles related to loan collaterals,
- a system for monitoring exposures and their collaterals allowing threat to be identified early.

The system of limits constitutes one of the tools for credit risk management at BGK. Limits are established at both operational and strategic levels in line with relevant responsibilities.

One of the most important credit risk factors is concentration risk. Irrespective of statutory concentration limits, BGK has additional exposure limits applicable at the stage of making financial decisions.

BGK's lending policy

The lending policy creates a framework for the implementation of the mission defined in the Bank's strategy, in particular through:

- strengthening the role of BGK as a development bank and significant increase of involvement in financing activities carried out under the strategy
- maintaining the high quality of assets (especially the loan portfolio) within a specific risk level.

The objective of the lending policy is also:

- to have influence on the development of selected industries of the Polish economy, taking into account the risk related to economic and political situation in Poland, ESG (social, environmental and governance) conditions at partners as well as the global economic situation;
- to support Poland's economic policy and foreign policy objectives by supporting the export and expansion of Polish businesses and the development of other countries, in particular through development assistance,
- to ensure compliance with sustainable development guidelines for banks;
- to achieve the planned size and structure (diversification) of the loan portfolio by increasing (or reducing) the Bank's exposure to selected entities (segments, industries) and defining relevant exposure concentration limits;
- to ensure an appropriate loan portfolio quality.

Overview of key credit and concentration risks

Credit risk has been defined as a threat of a borrower's default on the payment of liability under an agreement, i.e. failure to repay or only partial repayment of receivables under credit exposure along with the Bank's remuneration within time limits defined in the agreement.

We mitigate credit risk at the micro level by assessing and monitoring individual customers and transactions, and at the macro level – for the entire portfolio – by establishing limits for individual segments and products.

The credit risk management rules are also implemented using stress tests to identify potential threats to the Bank's loan portfolio. One of the elements of such testing is testing clients in industries with particular exposure to ESG risk factors. To that end, the Bank separates clients from sectors most exposed to ESG factors. These sectors primarily include: power generation, heat generation, fuel and gas, chemicals, transportation, manufacturing and extraction.

Although the credit risk is uniform in nature, its different types can be distinguished.

The risk of exposure concentration is an important aspect of credit risk. The Bank has adopted appropriate internal rules and procedures applicable to exposure concentration, with a particular focus on large exposures to individual customers and related customer groups. Portfolio concentration is monitored at the level of individual borrowers, entities with equity, economic or organisational relationships, industries etc. The exposure concentration policies address different areas of the Bank's operations (not only lending but also investing activities or money market transactions).

The risk of partial or total default is a situation where a customer fails to meet the contractual repayment deadlines or fails to make any payment whatsoever. The materialisation of that risk is associated with an increase in costs by generating loss allowances which in the case of total non-payment turn into a loss incurred.

We mitigate the default risk by:

- assessing a customer's credit rating based on financial models, including predictive models, based on which the customer is assigned a credit rating adequate to the level of associated risk,
- periodically monitoring a customer's economic and financial situation.

Collateral risk occurs when taken collateral of a credit exposure is inadequate to the financing granted or when the value of the collateral fluctuates significantly.

We minimise collateral risk by:

- collateral policy, which sets the boundary conditions of collateral's adequacy for a particular type of exposure, customer and collateral,
- monitoring the value of collateral, in particular mortgages (in the form of periodic verification of property valuation),
- stress tests, including simulations of changes in the value of collaterals.

Interest rate risk and foreign exchange risk are associated directly with the default risk, because the materialisation of either one considerably increases the probability of occurrence of the other. This risk causes increased payments due from a customer due to an increase in interest rates or an adverse change in currency exchange rates, which results in higher debt service costs and amount of instalments.

We mitigate interest rate risk and foreign exchange risk by:

- applying appropriate procedures for financing in foreign currencies, in particular when verifying the repayment sources of the Bank's receivables,
- performing stress tests, including, inter alia, simulations of interest rate and foreign exchange rate fluctuations and their impact on the customers' creditworthiness.

Credit risk exposure in Ukraine, Russia and Belarus

In connection with Russia's armed aggression against Ukraine, we decided not to make any new commitments, in particular not to advance any new loans to Russian and Belarusian banks, or submit offers to Russian and Belarusian counterparties. In February 2022, we suspended exposure limits for Russian and Belarusian banks as well as country exposure limits for Russia and Belarus, whereby we froze any cooperation with banks from these countries.

Concurrently, in order to support Polish exporters in the financing and performance of concluded agreements, and to protect Polish exports from the effects of the changing international situation, we have continued to implement the initiated financing, including related to documentary letters of credit, for which BGK made binding offers concerning Ukraine, Russia and Belarus, as long as it does not breach the applicable regulations, especially those relating to sanctions.

Until the start of military action in Ukraine by Russia, we financed investment projects in Ukraine, Russia and Belarus in the area of construction, agriculture and industry. Depending on the object of financing, the exposures are collateralised on the financed assets, most of all KUKE guarantees. The value of exposures translated into zloty varies around 1% of the value of the Bank's loan portfolio.

For prudential reasons, immediately when Russia initiated its military activity, we reclassified selected financing instruments in Ukraine, Russia and Belarus from Stage 1 to Stage 2. We make decisions to reclassify exposures to Stage 3 on a case-by-case basis depending on the observed indications for reclassification. We continue to monitor our loan portfolio with exposure to the risk associated with the hostilities in Ukraine and, if needed, we will extend the analyses in subsequent reporting periods, which may affect the value of the high-risk loan portfolio.

3. Financial risk

Organisation of the financial risk management process

We manage financial risk through the management of liquidity risk, market risk (interest rate, foreign exchange, equity risk), leverage risk and capital adequacy (as described in [Section VII. 9. Capital adequacy and leverage risk](#)).

BGK's system of financial risk measurement is based on ratios and measures, including stressed measures. The risk measures are determined on an individual basis as the CRR does not require prudential consolidation.

One of the key mechanisms of financial risk management at BGK is the system of limits and thresholds. The risk monitoring process consists in periodic control of risk measure and limited parameter levels and in analysing utilisation of limits.

Financial risk reports are submitted to the Bank Financial Committee, the Management Board, the Risk Committee, the Audit Committee and the Supervisory Board. Procedures additionally specify the rules to be followed in the event of an increased level of financial risk.

In May 2020, the European Banking Authority (EBA) published, in a single rulebook Q&A, its position regarding the moment of recognition of annual and interim profits in the capital adequacy data. According to this position, once the Bank has formally met the criteria for including its profit for a given period in the Tier 1 capital, this profit should be included retrospectively – own funds should be adjusted accordingly as at the date of the profit. Therefore, comparative information on capital adequacy and liquidity risk as at 31 December 2022 was presented with profit for 2022 included in own funds retrospectively.

Overview of key financial risks

Liquidity risk is a risk of losing the ability to pay liabilities as they fall due as a result of unfavourable changes in assets and liabilities and equity, off-balance-sheet transactions, maturity mismatch of current cash flows resulting in the need to incur unacceptable losses.

The purpose of liquidity risk management is to:

- ensure and maintain the Bank's ability to meet obligations related to both current and planned future liabilities, including costs of liquidity and return on equity,
- prevent stress conditions,
- define business continuity solutions in the event of a crisis.

Liquidity risk level is presented in cyclical liquidity reports including, in particular, information on the utilisation of regulatory and internal liquidity limits, the stability of external funding and stress tests results as well as additional analyses concerning, inter alia, long-term liquidity.

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The Bank controls the liquidity risk using a system of limits, including strategic limits, threshold values and analysis thresholds for liquidity ratios. The limit system covers current, short-term, medium-term and long-term liquidity.

In 2023, we developed liquidity risk management e.g. by revising the model for stability of liabilities, changing the methodology for calculating internal measures for liquidity risk, and modifying the limit system. Moreover, we have optimised tools, making the risk reporting process more effective.

BGK's liquidity status remained at a safe level throughout 2023. Neither regulatory liquidity measures specified in the CRR nor the internal limits of liquidity ratios were exceeded.

TABLE 73. Regulatory liquidity measures

Item	limit ⁵⁷	31 Dec 2023	31 Dec 2022	Additional information – excluding flow funds	
				31 Dec 2023	31 Dec 2022
LCR – liquidity coverage ratio	100%	157%	167%	168%	181%
NSFR (Net Stable Funding Ratio)	100%	164%	167%	187%	197%

⁵⁷ The indicators are specified on an individual basis as the CRR does not require prudential consolidation.

The change in the liquidity measures was mainly driven by the capital injection to the Bank by the State Treasury, an increase in long-term funding sources (including deposits, bonds issued and loans incurred), the Bank's lending activities and off-balance sheet liabilities granted.

In 2023, the Bank conducted holistic stress tests for three scenarios of development of the Bank's situation alternative to its financial plan. The expected trajectory of the COVID-19 pandemic and the situation related to the military conflict in Ukraine accounted for the main differences between macroeconomic conditions. The stress tests helped determine the impact of individual scenarios on the liquidity risk, among other things.

Market risk is defined as a risk of a possible drop in the value of the Bank's portfolio of financial instruments or its financial result as a consequence of unfavourable changes in market parameters (exchange rates, interest rates, credit spreads, prices of debt and equity instruments).

The objectives of market risk management are:

- identification of market risk areas, including areas of risk relating to derivative instruments,
- in relation to the banking book – managing balance-sheet and off-balance-sheet items of the Bank to minimise the risk of negative deviation of the financial result from the material and financial plan of the Bank to minimise the risk of unfavourable change in the net asset value, within the acceptable level of market risk,
- in relation to the trading book: generating financial benefits by entering into dealer transactions in the interbank market and hedging portfolio risk within the acceptable level of market risk.

In 2023, BGK maintained the acceptable levels of market risk and interest rate risk arising from the banking book specified by the Supervisory Board (risk appetite).

Interest rate risk

BGK operates systems of limits, which are subject to risk appetite determined by the Supervisory Board and strategic limits set by the Management Board. We monitor interest rate risk using:

- limits for sensitivity of economic value of the banking book,
- BPV limits for the trading book and the banking book,
- loss limits,
- sensitivity limits for net interest income of the banking book,
- regulatory limits for the supervisory outlier test for EVE.

Risk monitoring process primarily involves regular review of risk measure levels and analysis of the limit utilisation.

In 2023, we continued modelling and hedging its own capital base in order to stabilise long-term interest income from investing a certain portion of the capital in interest-bearing assets based on current market interest rates. The hedging is carried out in accordance with the hedging plan using external IRS transactions subject to cash flow hedge accounting and a portfolio of fixed-interest treasury bonds.

In 2023, we implemented the EBA's guidelines setting out criteria for identifying, assessing, managing and mitigating risks arising from potential changes in interest rates (IRRBB), as well as criteria for assessing and monitoring credit spread risk arising from non-trading book activities (CSRBB).

In 2023, the sensitivity of net interest income with market value changes taken into account grew for the interest rate decrease scenario, mostly as a result of acceleration of repricing dates for debt securities, extension of repricing dates for the issue portfolio and adjustment of the model to new EBA's guidelines.

Compared to the end of the previous year, BPV for the banking book increased due to a capital injection to the Bank that occurred by way of acquisition of a portfolio of Treasury debt securities denominated in PLN.

TABLE 74. Key interest rate risk measures (PLN thousand)

Selected measures of interest rate risk		31 Dec 2023	31 Dec 2022
BPV	banking book	-1,349	-1,247
	trading book	-25	17
Sensitivity of net interest income, with changes in market value taken into account, to interest rate change by:	-2 pp	-452,838	- 220,388
	+2 pp	439,158	132,614
VaR 1D 99%	banking book	63,950	125,672
	trading book	3,323	10,411

Foreign exchange risk

The foreign exchange risk was measured in accordance with the applicable principles, including based on analysis of foreign exchange positions, VaR and foreign exchange gains or losses. The utilisation of internal limits was also monitored and reported on an ongoing basis with respect to currency position and loss.

BGK's total foreign currency position as at 31 December 2023 stood at PLN 62 million (0.17% of own funds), whereas the relevant VaR 1D 99% totalled PLN 0.61 million.

Equity price risk

Compared to 2022, the value of the share portfolio increased by PLN 509.3 million, driven by a rise in the price of PKO BP S.A.'s shares. In addition, in 2023 relative to 2022 the exposure to investment funds was higher due to more investment certificates held following the contributions to funds made by BGK.

The risk related to changes in equity instrument prices was measured in accordance with the applicable principles, mainly through analysing the equity instruments portfolio and VaR. As at 31 December 2023, VaR 1D 99% for the share portfolio was PLN 51 million.

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4. Operational risk

Organisation of the operational risk management process

The operating risk management process covered all organisational units of BGK and subsidiaries. It takes into account ESG risk factors.

In the operational risk management process we analyse new, existing and modified products, processes and systems and we take into account internal factors (such as the organisational structure, business profile, IT systems used, client profile, client complaints, HR quality, organisational changes and employee turnover) and external factors.

5. Business risk

Organisation of the business risk management system

Business risk assessment involves evaluating the impact of actual and potential risk factors arising from the business environment on the achievement of the financial result and strategic objectives, such as macroeconomic risk factors, changes in legal regulations for banking activity, as well as market trends and changes in the banking sector.

The assessment of business risk's impact on financial result is carried out mainly through an analysis of deviations from the Bank's strategy and its schedule of works, as well as prospective assessment of business risk based on stress tests and the impact of changes in the regulatory, legal and macroeconomic environment.

Reporting on the main elements of detailed risks is carried out by reporting the Bank's performance at monthly meetings of the Management Board and in semi-annual and annual reports submitted to the Management Board, the Audit Committee, the Risk Committee, the Supervisory Board, and the Bank Financial Committee.

Overview of business risk

Business risk is defined as the risk of failure to achieve the assumed and required economic goals, in particular with respect to the financial result, due to changes in economic, social, legal, business and market environment, and failure to achieve business and social goals implemented by the Bank in line with its mission and as part of tasks defined by the owner. Business risk involves strategic risk.

The purpose of business risk management is to maintain the potential negative financial impact at an acceptable level.

The Bank manages business risk by conducting stress tests at least once a year, forecasts macroeconomic risk factors and assesses their potential impact on its performance, and each month it monitors the implementation of the schedule of works and expenditures and the strategy and in the event of increased risk it initiates a relevant contingency procedure. In the last three years, there was no need to take any contingency measures, as the business risk remained low.



6. ESG risk

Organisation of the ESG risk management system

TCFD 3.C

The ESG risk management system is embedded in the risk management system and implemented in accordance with the law, market standards and internal regulations.

For a detailed description of the ESG risk management process, refer to ESG Risk Disclosures of BGK as at 31 December 2023 (Pillar III, ESG) available on the [website](#) of the Bank.

Overview of the ESG risk

GRI 3-3 Management of material topic: Climate change Own indicator 6

According to BGK's strategy, we divide ESG risk into the following risks:

- environmental, which covers physical risk and transition risk. A special case of environmental risk is climate risk,
- social,
- governance.

Impact of risks and opportunities on financial strategy and planning

TCFD 2.A, 2.B, 2.C.

In 2023, climate risk was not directly included in the Bank's strategy. The strategies of business model programmes account for ESG goals and identify general social and climate risks.

ESG risk is taken into account when making indirect financial planning, i.e. through other risks in which it is embedded, mainly credit risk, and through the plan of new financing as part of individual business model programmes. In the financial planning for 2023, the ESG risk was treated cumulatively, thus without dividing it into environmental risk, social risk and governance risk.

In 2023, we made a qualitative assessment of BGK's current and potential impact on climate change. We analysed BGK's portfolio, the Bank's operations and its business strategy, which is linked to a potential impact on climate in the future. We analysed both negative and positive climate impacts. We estimated the impact on climate change as significant due to BGK's portfolio and the Bank's business strategy. We have included the area of climate change in our ESG ambitions. In 2024, we will disclose information on CO₂eq emissions in category 15 of Scope 3 and we will analyse the materiality of each category under Scope 3. We will also begin work on decarbonisation pathways, which will be the basis for developing long-term goals.

In 2024, the Bank will continue climate stress testing. The results will be used to design the Bank's new strategy and business model. The outcome should involve a change in the structure proportions reflecting climate change.

Identification and assessment of ESG risks and opportunities

TCFD 3.A, 3.B, 3.C

ESG risk assessment is carried out in the lending and investment processes, due to their significance in the implementation of the Bank's strategy.

In the lending process, ESG risk assessment is a two-stage process consisting of an initial assessment based on information obtained in an ESG survey and an in-depth assessment of ESG risk related to business partners or financings carried out based on expert knowledge by the ESG Risk Office. The ESG survey has been used by BGK since January 2023 and it is mandatory element in corporate lending and monitoring process.

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In addition to ESG factors, the analytical assessment takes into account, among other things:

- the progress of the partner in implementation of strategies, policies, procedures, etc. related to sustainability (ESG),
- identified risk materialisation and mitigating actions taken.

The information collected in the ESG survey provides inputs for ESG risk analysis relevant to a specific financing, for internal and external reporting purposes, and will serve as material for analysis to establish the Bank's portfolio assessment methodology.

The Bank has determined a list of high ESG risk industries with the greatest potential environmental and social impact. A list of ESG risk factors that affect the financial situation of entities in specific sub-sectors of the economy was also prepared. At least two environmental risk factors were indicated for each sub-sector. In addition, in justified cases, social factors or factors related to corporate governance were indicated for given sub-sectors.

In the investment process, the ESG risk assessment was included in internal regulations and involves determining the level of risk related to the Bank's business partners or capital investments. The assessment techniques applied in the lending process are also used to assess the ESG risk in the investment process.

Comprehensive stress tests

Comprehensive stress tests carried out at the Bank include an additional ESG scenario. The results of these tests take into account both climate factors, related to, among other things, changes in the price of CO₂ emission allowances, but also social and governance factors. If it is identified that the sensitivity of a given sector to ESG risk factors is significant, clients from that sector may be reclassified to Stage 2 in the process of determining allowances for expected credit losses. This was the case in 2023.

Test results for 2022 were presented at the meetings of the Bank Finance Committee, while synthetic information was provided to the Management Board, the Risk Committee and the Supervisory Board as part of the annual report on financial risk.

Objectives and measures

TCFD 4.A, 4.B

In 2023, we took many steps to incorporate taxonomic considerations in the Bank's existing processes and to determine the levels of indicators of sustainability of the Bank's portfolio, i.e. the Green Asset Ratio (GAR – disclosed for the first time as at 31 December 2023 in the report: ESG risk disclosures (Pillar III, ESG)) and the Banking Book Taxonomy Alignment Ratio (BTAR), as well as the number and amount of financing transactions that serve to meet environmental objectives set out in Article 9 of the EU taxonomy.

As part of our ESG risk disclosures, we present our exposures in the context of climate risk. In the disclosures as at 31 December 2023, we present data on real estate that serves as collateral for loans advanced. In further stages, we will also present individual industries by place of business. Detailed information on ESG risks referred to in Article 449a of the CRR is included in the ESG risk disclosures of BGK as at 31 December 2023 (Pillar III, ESG) published on the Bank's [website](#).

In accordance with the principles of ESG risk management applicable at BGK in 2023, a strategic limit has been set in the amount of the total internal capital to cover the ESG risk included in other types of risk in which it is embedded, at a level not higher than 3% of the Bank's own funds. As at the end of 2023, this level was not exceeded.

The measure used by the organisation to assess climate opportunities and risks is the carbon footprint. In 2023, we have committed to develop an internal approach to collecting data and calculating the carbon footprint of BGK's portfolio (i.e. category 15 in Scope 3) in accordance

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with the PCAF methodology, which is recognised and commonly used by the banking sector. We will make our first disclosures in this area in 2024. We are currently in the process of assessing financial materiality due to climate change. For 2024, we have planned to carry out climate risk stress tests based on the ECB’s methodology. The key task is to develop decarbonisation pathways and set long-term decarbonisation goals, as we described in more detail in [Section V.1](#).

The results of the calculation of the Bank’s carbon footprint for 2023 are presented in [Section V.1.2. Impact on the environment and climate through our operations](#).

7. Compliance risk

Organisation of the compliance risk management system

As part of compliance risk management we ensure compliance of the Bank’s activities with the laws, internal regulations and market standards.

We consider compliance risk mostly in the context of monitoring changes in the law, issuing opinions on internal regulations and new or revised products, participating in legislative projects, and the results of the annual self-assessment by the Bank’s business units.

We also regard operational events, compliance tests and complaints from our clients as sources for identifying compliance risks. Based on the analysis of information from these sources, we implement appropriate risk mitigation solutions.

We also conduct workshop surveys to assess a specific risk in the Bank’s ongoing projects and business model programmes.

The results of the compliance risk assessment and information on the performance of tasks related to the management of compliance risk are cyclically reported to, among others, the Management Board and the Supervisory Board of the Bank.

8. Reputational risk

Organisation of the reputational risk management process

We manage reputational risk to protect the Bank’s image and reduce losses resulting from any damage to it.

We identify reputational risk, inter alia, in the process of creating and modifying products, establishing and maintaining business relationships, publishing marketing materials, procurement procedures, project sponsorship, and outsourcing. When identifying the risk we also consider ESG factors.

We have structured the process for countering greenwashing so that our communications do not mislead clients, business partners and other stakeholders.

We make an annual assessment of reputational risk based on monitoring of media information, operational events related to reputational risk, internal opinions on established business relationships, and results of internal and external audits.

The results of the reputational risk assessment and information on the performance of tasks related to the management of reputational risk are cyclically reported to, among others, the Management Board and the Supervisory Board of BGK.

9. Capital adequacy and leverage risk

The Bank monitors the level of capital adequacy and leverage risk using capital adequacy and leverage risk ratios determined in line with the Banking Law and the CRR.

In 2023, the capital adequacy and leverage risk standards laid down in Article 128.1 of the Banking Law and in Article 92.1 of the CRR were met (Common Equity Tier 1 ratio of at least 4.5%, the Tier 1 capital ratio of at least 6%, the total capital ratio of at least 8%, the leverage ratio of at least 3%, and the internal capital ratio not higher than 100%).

TABLE 75. Capital adequacy and leverage risk ratios

Item	2023	2022	YoY change PLN million / pp	Additional information – data excluding flow funds		
				2023	2022	YoY change PLN million / pp
Total capital requirement (PLN million)	9,082	7,688	1,394	8,605	7,645	960
Internal capital (PLN million) ⁵⁸	12,264	10,434	1,830	11,376	9,778	1,598
Own funds (PLN million), including:	35,845	30,174	5,671	35,845	30,174	5,671
Tier 1 capital, including:	35,845	30,174	5,671	35,845	30,174	5,671
Common Equity Tier 1 (CET1) capital	35,845	30,174	5,671	35,845	30,174	5,671
Tier 2 capital	0	0	0	0	0	0
Common Equity Tier 1 capital ratio	31.6%	31.4%	0.2 pp	33.3%	31.6%	1.7 pp
Tier 1 capital ratio	31.6%	31.4%	0.2 pp	33.3%	31.6%	1.7 pp
Total capital ratio	31.6%	31.4%	0.2 pp	33.3%	31.6%	1.7 pp
Internal capital ratio	34.2%	34.6%	-0.4 pp	31.7%	32.4%	-0.7 pp
Leverage ratio	5.6%	5.4%	0.2 pp	12.3%	11.3%	1.0 pp



Changes in the capital ratios, the internal capital ratio and the leverage ratio mainly resulted from:

- an increase in own funds, mainly as a result of a capital injection to the Bank from the State Treasury through a free transfer of government bonds with a nominal value of PLN 5 billion made by the Minister of Finance,
- an increase in the total capital requirement and internal capital for credit risk, in particular in connection with a rise in total risk exposure amount to corporates and central governments,
- an increase in the capital requirement for operational risk, chiefly driven by higher net interest income,
- an increase in the total exposure measure, mainly due to an increase in the Bank's sources of financing.

10. Other risks

In addition, BGK manages other risks, in particular model risk and risk of changes in macroeconomic conditions, in accordance with relevant internal procedures.

⁵⁸ Also includes exposures due to the management of European programmes and BGK's surety and guarantee activities carried out as part of government programmes.

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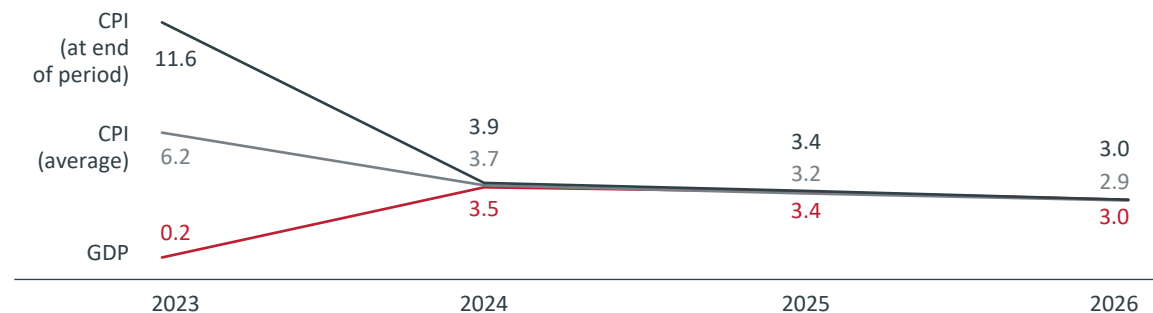
1. Economic environment

Price processes and geopolitics as major sources of macroeconomic uncertainty

We expect global economic growth to stabilise in 2024, with tensions in the energy commodity market and post-pandemic fluctuations in demand for durable goods and services fading away. At the same time, economic activity will be constrained by the strict monetary policy, although probably around the middle of the year it will be gradually relaxed in major economies, including in the United States and the euro zone. There will be elevated uncertainty about the economic situation in China, where problems in the property market have an adverse effect on consumption of households.

In 2024, economic conditions in Poland will improve with the annual GDP growth rate expected to rise above 3%, which is above the long-term average. This should be supported by a marked increase in real household income, which, combined with social transfers, will drive private consumption growth. At the same time, the growth rate will be dampened by limited contribution of net exports and the still restrictive monetary policy. This will be accompanied by a fall in inflation. The annual CPI fell below the inflation target in early 2024. However, in subsequent quarters it may rise as a result of lifting the anti-inflation shields. Consequently, a sustainable return to the vicinity of the NBP's inflation target will not occur until 2025.

CHART 7. GDP growth rate and inflation rate (consumer price index, CPI; %)



The main source of uncertainty in the near term still comes from geopolitical issues, mostly related to the war in Ukraine and developments in the Middle East. These factors have strong implications for commodity markets and pricing processes, and ultimately for consumption, monetary policies and aggregate demand. Therefore, the performance of the domestic economy will be negatively correlated with the strength of pricing processes and the related global risk-free rate. In fact, these factors may cause a more restrictive nature of the national policy mix.

2. Planned activities

Pillars of the strategy

Sustainable development

In line with our ambition and long-term vision, we want to become a leader in sustainable development programmes in the Polish financial sector. We want to be a major player in financing the transition (in particular in the energy and industrial sectors). In practice, we implement our mission through BGK's business model programmes (described in more detail in [Section: II.2. Business model programmes as a response to market needs](#) and [V.1. Sustainable development](#)). It is through programme activities that we have the greatest impact on society's quality of life and the environment. We finance areas such as the transition to climate-neutral industry, circular economy solutions in the manufacturing sector, projects to decarbonise the power generation sector, transition in the heat generation sector, and investments in low-carbon transport. To maximise our positive impact, we are expanding our portfolio of sustainable financing instruments.

Our strategic objective is to be included in the 5th decile of top ESG-rated European banks by the end of 2025. To that end, we are developing our approach to ESG risk management, increasing the scope of data obtained from clients and expanding the scope of disclosures made to our stakeholders. As for the entire banking sector, the challenge for 2024 will be to comply with the requirements of the CSRD and prepare reports in line with the European Sustainability Reporting Standards.

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However, neither the ratings assigned by rating agencies nor comprehensive reporting in compliance with the new regulations are an end in itself for us. They are merely tools to help responsibly manage our impact on the environment, the climate and social environment. 2025 is the final year of the Bank's current business strategy, which means that the Bank's sustainability plans and objectives will be reviewed. In 2023, the ESG Committee also accepted BGK's proposed medium- and long-term ambitions in each of the three areas: environmental, social and governance. In 2024, the Management Board of BGK accepted those ambitions and indicated specific measures to be taken to turn them into strategic goals and operational tasks. In the near future, our work will focus on calculating and reporting GHG emissions related to our financing (as part of our own operations), as well as developing new objectives and decarbonisation pathways for our portfolio. We are working on decarbonisation pathways in sectors financed by BGK. For us, it is an important starting point to further discussion and development of detailed, long-term sustainability targets. In 2030, we want to achieve climate neutrality at the operational level, and in the long term, by 2050, also in terms of our financing.

Social commitment

The objective for 2024 is to continue support for Poland's social and economic development through building social capital in our country in the long term. Among other things, we plan to review and evaluate our social commitment policy. We will also assess the social effects of activities of foundations and continue to evaluate the effectiveness of the volunteering programme.

We plan further activities in the field of accessibility for people with special needs, emphasising the fact that providing equal opportunities brings benefit not only to individuals, but also the society as a whole. In 2024, we will conduct another dialogue with our stakeholders as part of building relationships and supporting the development of social capital – we will use the results in BGK's next integrated report. In terms of reporting, we will develop internal processes to comply with ESRS requirements in the area of social indicators.

International business and cooperation

In 2024, international cooperation will include a range of activities to support the improvement of the international position of the Polish economy, Polish business entities, and the Bank itself.

Since 2022 we have established and developed relationships and acquired knowledge thanks to which to a significant extent we will participate in the mechanisms of development assistance and reconstruction of Ukraine, keeping in mind the involvement of Polish entities. We plan to organise events to exemplify business opportunities for domestic entrepreneurs and to present tools to support entry into specific markets (including in Africa). The planned foreign expansion platform will improve our service to Polish entrepreneurs. Active engagement of international representative offices of the Bank and strengthening relations with partners – especially within the structures of the European Union and the 5+1 group – as well as stronger involvement of the Bank (also at the level of decision-makers) in the activities of associations (e.g. ELTI, EAPB, JEFIC, NEFI, AECM) and institutions (e.g. WEF), of which we are a member, will enable the implementation of international financial projects to support the development of the country and the region.

Primary lines of action in 2024 and in the next few years will include:

- strengthening relations and defining areas of cooperation with international financial institutions, international organisations, development organisations, development bank associations, commercial and investment banks, in particular in the areas of energy transition, innovation, housing, investment in the space sector, strategic procurement,
- implementation and use of EU programme to support economic expansion into new markets (e.g. Global Gateway, EFSD+, InvestEU),
- support for entrepreneurs in their investment and M&A activities,
- building a network of partners from different parts of the world, with a particular focus on cooperation with partners in the region, the Far East, and Africa, and on transatlantic cooperation,
- promoting the interests of the Three Seas Region, developing regional cooperation instruments and platforms with the participation of international financial institutions and partners from the private sector,
- business cooperation in the Three Seas Region and beyond,
- building capacity for the future reconstruction of Ukraine, in agreement with international partners (in this area relying in particular on the Ukraine Facility),
- building know-how and relationships with a view to supporting Polish entrepreneurs and projects in Ukraine,
- building competencies and development assistance tools, implementing projects in this area.

Digital and process transformation

The year 2024 is yet another year when highly complex projects will be implemented. Modernisation of key systems in the IT infrastructure and reduction of technical debt are the key objectives of the continued upgrade of IT systems programme. An important part of the project portfolio is also related to legislative changes. Adaptation of the Bank to the provisions of Regulation (EU) of the European Parliament and of the Council on digital operational resilience for the financial sector, changes in relation to mandatory reporting of data on derivative transactions (WITIP), or mandatory reporting of cross-border payments (CESOP) are only a small part of the regulatory/legal projects underway.

In 2024, we will also continue process optimisation and digitisation efforts. The launch of 10 new robots is planned.

Effective management model

We are continuing the cultural and organisational transformation towards matrix work structure. We will launch programmes promote a culture of feedback and talent programmes. We attach particular importance to the development of management staff and experts in two paths – promotion in the organisational structure and managers of projects and matrix initiatives. In 2024, we will conduct a comprehensive analysis of our organisational culture, which will allow us to assess the effectiveness of our previous activities. The objective is to implement an internal platform with competencies of BGK’s employees, which will be a repository for more efficient creation of interdisciplinary teams.

Prospects of business model programmes

The year 2024 will not see a change in the long-term growth directions for the Polish economy. Technological and environmental transition will continue to set a stable framework for business and political decisions in Poland and Europe. Transition processes, although requiring a great deal of effort on the part of multiple stakeholders, are nothing new and to some extent have already seen a response from business and politicians. The main sources of uncertainty and challenges currently facing the Polish economy are largely due to crises that arise independently of the

ongoing transition processes. Importantly, these new developments generally require a prompt response and are significantly hampering Poland and Europe’s smooth and orderly transition to a zero-carbon and smart economy. It is the unexpected consequences of the pandemic, the war in Ukraine and the energy crisis that set current priorities and determine the areas of special interest for BGK programmes.

The ongoing Russian aggression against Ukraine and rising geopolitical tensions are increasing the importance of investing in national independence and physical security. This means that providing support to Polish companies operating in the arms industry is becoming particularly important, also in the context of the need to rebuild production capacity, which is emphasised across Europe. For these reasons, achieving the goals of the Armed Forces Support Fund will be one of the top priorities of the **Industrial development** programme in the foreseeable future.

The war across Poland’s eastern border has also propelled the need for transformation of Poland’s energy sector. The construction of a nuclear power plant and the development of offshore wind power capacities are currently driven not only by environmental considerations, but they are also a natural response to the need to strengthen Poland’s energy independence. It should also be remembered that apart from the country’s physical and economic security, an equally important aspect today is cyber security. All these elements are reflected in the priorities and activities envisaged under the **Strategic security** programme.

Despite the ongoing hostilities, progress is made in Ukraine’s economic integration with Europe, which has resulted in competitive pressure on Polish entrepreneurs. So far, it has particularly affected Polish transportation companies and farmers. Integration also means the need to build an adequate logistics network in Poland. For these reasons, the growing economic interdependence between the European Union and Ukraine poses new challenges for the **Infrastructure, transport and logistics** and **Entrepreneurship development** programmes.

The ongoing war has also caused increased migration. On the one hand, this process may prove beneficial for certain segments of the Polish labour market (for example in the context of staff shortages in the healthcare system). On the other hand, however, it can aggravate the problems related to social cohesion, education and availability of rental housing. BGK already

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offers a mission loan to support social economy entities that create jobs for Ukrainian citizens or otherwise help persons fleeing war. The effects of migration have an impact on the operation of our programmes, namely **Social and territorial cohesion, Healthcare and Housing**.

Remodelling of global supply chains occurring in connection with development of electromobility and technological transformation, but also due to a change in geopolitical conditions, affects the situation in the Polish transportation sector, automotive and chemical industries. These add to the aspects that will require special action to be taken under the **Industrial development and Infrastructure, transport and logistics** programmes in the coming months.

It must also be mentioned that many experts considered the past year as a breakthrough year for the development of artificial intelligence. The rapid advancement in technological transformation highlights the challenges related to innovation of Polish SMEs and automation of industrial companies. While these issues have long been addressed by the **Industrial development and Entrepreneurship development** programmes, their importance seems to be growing with the increasing pace of technological transformation. Technology has also been increasingly making its way into the healthcare sector, in part due to staff shortages, the emergence of new solutions, and to some extent because of habits developed during the pandemic. Digitisation and robotisation of the Polish healthcare sector are addressed by the **Healthcare** programme.



We granted an investment loan to the Jan Mikulicz-Radecki University Clinical Hospital in Wrocław in the amount of PLN 16.4 million. It co-financed the purchase of a robotic surgery system with the necessary equipment as well as space adaptation. Thanks to the Da Vinci robot the risk of complications will be lower and the patient recovery time after surgery will be shorter.

All the processes described above are taking place in a macroeconomic environment which is still not comfortable for Polish entrepreneurs. Although inflation has stabilised, it will remain above the inflation target and the range of acceptable fluctuations in the next few quarters. Therefore, it is expected that interest rates will also be at elevated levels for the foreseeable future, which will have an impact on the cost of credit and the availability of apartments (which in turn may increase the so-called “housing gap”). Low unemployment and continued pay pressures make personnel costs one of the biggest concerns for Polish entrepreneurs today. On the other hand, however, rising wages and fiscal support from the state offer prospects for improved consumption, which should drive corporate performance. It seems that in these conditions the liquidity support and solutions supporting investment offered in the **Entrepreneurship development** programme will continue to play an important role in the market.

The above macroeconomic challenges – in particular those related to inflation – substantiate the need to keep interest rates at elevated levels. This, in turn, not only leads to an increased cost of credit, but also results in high cost of financing the funds and public debt service. This aspect poses a challenge to the **Public finance** programme.

In the coming months, high hopes will be raised by the prospect of disbursement of funds from the National Recovery and Resilience Plan (NRRP) which are intended to support environmental and technological transformation and build the resilience of Polish economy to further crises. We will administer a range of loan facilities financed from the NRP worth some EUR 30 billion. While the funds to be received under the plan are undoubtedly one of the most positive development incentives expected in the near future, it is important to remember that their management will also give rise to some challenges. For example, there may be concerns with regard to the Polish construction sector, which in the context of labour shortages, intensive infrastructural investments by local governments and additional investments financed from the NRP may face the problem of limited production capacity (and there is still the prospect of participating in the potential reconstruction of Ukraine). Investment projects undertaken thanks to funds provided under the NRP will be within the range of interest of almost all BGK’s programmes in the near future.

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We plan to launch the first loan facility for green transition of cities in the second quarter of 2024.



Industrial development

■ SDG 8, SDG 9

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- an increase in operating expenses of industrial companies due to the low level of innovation and technological advancement, which may limit their competitiveness as a result of:
 - reduced access to products and components,
 - reduced liquidity caused by the increase in prices of raw materials, and non-market events,
- the need to ensure safety of working with robots,
- lower productivity of Polish businesses compared to peers in the most developed OECD countries,
- the need to expand and increase the competitive power of the domestic arms industry.

In 2024 and in the following years, the programme will focus on:

- transition towards a climate-neutral economy, i.e. financing investments related to the transition of industry towards a zero-carbon regime and reducing consumption of energy and water,
- shortening supply chains, i.e. financing projects related to channelling foreign investment and production to Poland,
- measures to support companies with deteriorated liquidity as a result of higher costs, including businesses in energy-intensive industries, which will help mitigate the effects of the war in Ukraine on Polish industry,
- national security – the development of the Polish arms industry and its adjustment to the requirements resulting from servicing of the purchased equipment (previously supported as part of the Strategic Security programme).

In the next few years, the Industrial Development programme will continue to focus on supporting entrepreneurs in modernisation and technological development. We will place focus on implementing digitisation and Industry 4.0 solutions. Upgrading production facilities will help improve the competitive edge of Polish industrial companies both locally and in foreign markets. The programme will also support manufacturers' efforts related to foreign expansion and scaling up operations.

We intend to continue supporting entities that produce coking coal, which is necessary for steel production, to counter the risk of its unavailability on the market.

A key aspect of the programme will be financing the modernisation of the Polish Armed Forces, including the expansion of the Polish defence industry.



Infrastructure, transport and logistics

■ SDG 9

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- record-high scale of infrastructure projects and programmes planned to be completed by 2030,
- low level of development of road infrastructure on a local and regional level,
- high transport GHG emissions,
- the need to adapt logistics infrastructure to changing trade and transportation routes.

In 2024 and in the following years, the programme will focus on:

- increasing the financial capacity of construction companies to enable them to complete new contracts in the area of infrastructure, energy generation and defence,
- financing investments under government road programmes and the Fund for Strategic Investments,
- increasing the share of low- and zero-emission means of transport in public transport,

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- development of the infrastructure for the use of alternative fuels in transport, e.g. thanks to funds under the Connecting Europe Facility (CEF2) and supplementary debt financing,
- supporting the implementation of intermodal, logistics and warehousing investments.

Looking ahead to the next few years, the programme will also focus on the achievement of the same goals:

- increasing the economic potential of the regions through:
 - support for building logistics and storage capacities, which is crucial to take advantage of Poland's geographical location in its further sustainable development,
 - expansion of new trade routes (due to the war in Ukraine),
 - shortening supply chains and increasing the use of railway to decarbonise transport,
- increasing the financial potential of construction companies to implement ambitious investment programmes related to infrastructure, the power sector and national defence,
- support for investment in low-emission public transport to improve public transport services and increase the use of public transport while reducing its negative impact on the environment,
- support for the deployment of alternative fuels infrastructure to create conditions for the large-scale use of low-carbon vehicles.



Entrepreneurship development

SDG 8

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- low capacity of SMEs to acquire external financing, with an additional negative impact of poor economic conditions resulting from global crises,
- low share of private investment in GDP and low propensity of businesses to invest due to uncertainty about the economic outlook,
- uneven development of businesses in Poland in terms of digitisation and green transition (domestic entrepreneurs have the poorest performance in EC's surveys on digitisation),
- insufficient public knowledge of the possibility of using external financing to grow a business.

In 2024 and in the following years, the programme will focus on:

- providing entrepreneurs with access to a comprehensive range of business financing instruments,
- stimulation of investment in the business enterprise sector by providing access to business development support instruments,
- reduction of disparities in enterprise development through financing and educational offer as part of digital and green transition,
- education in the field of activities and instruments to enhance competitiveness of enterprises.

In the next few years, the programme will focus more and more on issues related to the development of the SME sector and larger companies employing up to 3,000 people (the EU categories of the latter are small mid-caps and mid-caps). We will support their development towards increased energy efficiency and innovation, digitisation and robotisation. An important issue will be a flexible approach to the assumed directions for future development of SMEs in the event of a sudden event would require a response to market needs.



Strategic security

■ SDG 7, SDG 8, SDG 9

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- high carbon intensity of the power sector,
- instability of supplies of energy carriers and weak diversification of supply sources,
- heat generation sector based on high-carbon energy sources,
- low popularity of clean alternative fuel generation technologies.

In 2024 and in the following years, the programme will focus on:

- development of new RES capacity and low-carbon conventional capacity (direct financing or indirect measures, such as cPPA guarantees),
- efficient use of the power grid,
- providing financial instruments to fuel and infrastructure companies necessary to build, expand and maintain fuel infrastructure, perform import contracts and secure day-to-day operations,
- construction of new heat generation capacity,
- construction of facilities for the production of alternative fuels (green hydrogen, waste fuels, biomethane).

In the next few years, the programme will continue to focus on Poland's energy security, understood as its permanent access to energy and fuels at prices that allow the economy to remain competitive and to eliminate energy poverty. Key activities will involve supporting projects to decarbonise the generation sector (especially consisting in the construction of offshore wind farms), expand and modernise the power grid, and increase the capacity for import and storage of energy carriers and energy. One of the most important activities will be to support the planned transformation of the heat generation sector. In addition, we will cooperate on the development of a model for financing the nuclear power sector. We also plan to engage

in smaller generation projects as part of promoting dispersed generation, in particular in biogas, biomethane and other smaller RES projects, as well as projects that combine renewables with energy storage and develop models of energy clusters and cooperatives. In the area of cyber security, we will conduct educational activities.



Healthcare

■ SDG 3

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- inefficient model of day-to-day financing of hospitals and absence of current balancing (delayed adjustment on the revenue side),
- insufficient medical efficiency of hospitals:
 - technological underdevelopment requiring high investment,
 - staff shortages,
- the need to make investments that improve the quality and efficiency of treatment,
- low energy efficiency of buildings and expenses incurred on energy,
- low awareness of social, environmental and governance criteria of financing among hospital managers,
- lack of drug sovereignty in the country – periodic and permanent shortages of medicines,
- prevalence of lifestyle diseases, which generate high treatment costs at the hospitalisation stage.

In 2024 and in the following years, the programme will focus on:

- optimisation of the hospital modernisation model and comprehensive implementation of a new model for hospital financing,
- increasing the use of advanced technologies: robotisation, digitisation and automation, expansion of the e-health and “Green Hospital of the Future – ESG sustainable healthcare” projects,

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- investments and modernisation projects in medical entities,
- increasing employment in the healthcare system,
- building drug sovereignty of Poland – creating conditions for development of the drug, medical device and active substance sectors,
- preventive healthcare development measures.

Looking ahead to the next few years, the programme will focus on further modernisation of hospitals and increasing the efficiency of their financing, promoting activities that implement lean management as a concept to support hospital management, intensifying the use of advanced technologies, stepping up efforts towards drug sovereignty, and continuing to support preventive health care. We will continue to cooperate with the Ministry of Health on changing the model of funding public hospitals in the area of restructuring and investment activities.



Public finance

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- high borrowing needs of the state budget (up 150% y/y),
- high cost of Treasury debt servicing,
- high government deficit, which will raise the risk that Poland may be subject to the excessive deficit procedure, if the EC discontinues the application of the escape clause,
- the need to ensure financing for the funds operated by BGK,
- limited demand for bonds due to market saturation,
- high interest rates, keeping banks and other financial institutions from buying securities,
- high cost of financing flow funds,
- limited efficiency of flow of funds in the public finance sector and insufficient popularity of e-payments.

In 2024 and in the following years, the programme will focus on:

- extending the public finance consolidation process to include flow funds administered by BGK and other non-public entities,
- seeking various sources of financing for the funds (issues of bonds, loans from the EIB, loans and credit facilities incurred by BGK for the funds, appropriations from the state budget) to maintain high cost efficiency,
- issue of bonds in the domestic and foreign markets (depending on the market situation),
- cooperation with local government units, payment organisations, the Cashless Poland Foundation (Fundacja Polska Bezgotówkowa) and the IT solutions provider to ensure effective settlement of e-payments, with particular emphasis on including the payment card acceptance service in the mObywatel 2.0 app.

In the next few years, the programme’s agenda will be focused on continuing collaboration with the Ministry of Finance to reduce the state budget’s borrowing requirements and the cost of servicing government debt by extending the scope of public finance consolidation. The second important element will be the search for sources of financing for the flow funds whose administration has been entrusted to the Bank. As the government’s financial arm, we will also participate in the process of budget system reform.



Social and territorial cohesion

■ SDG 8, SDG 10, SDG 11

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- limited capacity to finance development activities of and for the benefit of persons in the social, educational, accessibility and financial gap, and entities pursuing social goals, as well as low level of economisation and low sustainability of actions of such entities,
- extensive needs of cities related to their development, environmental and technological transformation and reduction of marginalised areas,

- volatility of the local government financing system:
 - limited number of banks active in the market,
 - deterioration of the financial situation of some local governments, including cities and cities with county rights,
 - the need to refresh the banking sector’s offer and ensure market stabilisation,
- the need of efficient water use and universal access to sanitation.

In 2024 and in the following years, the programme will focus on:

- supporting vulnerable persons and entities pursuing social objectives,
- green transition of cities,
- ensuring that local governments can carry out their own tasks with reasonable price terms.

During the next several years, one of the key objectives of the programme will be the effective implementation of the new support instruments under the EU financial framework 2021–2027, including to build awareness of such instruments among market participants and reach a maximum number of beneficiaries. At the same time, work will be underway to identify further areas of social exclusion or territorial dysfunctions in which it would be possible to mobilise financial instruments, and when they are identified arrangements will also be made with the managers of funds to prepare relevant solutions. In the municipal sector, the continued presence in the debt financing market will be key, due to the limited number of banks interested in financing local governments. Providing local government units with access to financing will be important, among other things, in the context of the new EU financial framework 2021–2027 (which introduces, among other things, stricter requirements with respect to own contribution), shorter period for implementing projects under the new framework and the National Recovery Plan, and the deteriorating financial condition of some groups of local governments. The Bank will continue to promote various (other than loans and municipal bonds) forms and structures for financing investments.



Housing

■ SDG 11, SDG 13

Challenges of particular importance from the perspective of the implementation of the programme in 2024 and beyond:

- poor technical condition of municipal resources, vacant apartments and the occurrence of smog,
- shortage of social and municipal housing,
- overpopulation, housing deprivation , declining land stock.

In 2024 and in the following years, the programme will focus on:

- improving the technical condition of the dwelling stock, including the energy efficiency of buildings,
- improving access to housing for persons whose income is insufficient to meet their housing needs on their own,
- facilitating access to mortgage loans.

The programme’s main objective for the next few years is to improve the availability of housing for people who cannot afford to meet their housing needs in the commercial market. The programme serves to consistently reduce the number of people waiting for communal housing, as well as to significantly increase the supply of housing in the social segment. Another issue that will require intense efforts in the coming years is the renovation gap and the poor technical condition of residential buildings in Poland. We will respond to all of these challenges with an offer tailored to the needs of housing market participants.

Reporting

1. Reporting process
2. Auditor of the financial statements, disclosures subject to audit and assurance of non-financial information
3. Index of UN Sustainable Development Goals to which we refer
4. GRI content index

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1. Reporting process

In preparing the integrated report we relied on the guidelines set out in the Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC, currently the IFRS Foundation). We took into account the requirements for management board reports on activities (laid down, inter alia, in the Accountancy Act, the Regulation on current and periodic information to be published by issuers of securities) and non-financial reporting standards of the Global Reporting Initiative (GRI 2021) in accordance with the Core option. The report has also been prepared based on the best market practices and the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). We calculated our carbon footprint in accordance with the Greenhouse Gas Protocol (GHG Protocol) standard; for details, see [Appendix 6](#).

The financial data presented in the report as well as the financial statements of Bank Gospodarstwa Krajowego and the BGK Group for 2023 have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union as at 31 December 2023 and the related interpretations published as European Commission Regulations. To the extent not regulated by the aforesaid standards the financial data and the financial statements have been prepared in accordance with the requirements of the Accounting Act and secondary legislation thereto.

The financial statements of BGK and the BGK Group were approved by the Bank's Supervisory Board and had previously been audited by an independent audit firm selected by the Bank's Supervisory Board.

As an entity operating as a state bank, Bank Gospodarstwa Krajowego does not submit a non-financial statement as part of the report of the Management Board on its activities in accordance with Article 49b.1 of the Accounting Act.

GRI 2-3

We published this integrated report for 2023 on 17 April 2024 on the [website](#) of the Bank.

BGK's sustainability reporting and financial disclosure cycle is annual, running from 1 January to 31 December, unless specified otherwise in relevant disclosures.

Should you have any questions or comments regarding our reporting, please send them to: raport.zintegrowany@bgk.pl.

GRI 2-2

The Bank reports sustainability matters only for the Group's parent due to the significantly smaller scale of operations of its subsidiaries. An exception are carbon dioxide emissions, which include the carbon footprint of a subsidiary Vinci S.A.

Material reporting topics were defined for the Bank as the parent entity of the Group.

GRI 2-14

Both the directors of the Bank's individual organisational units and members of BGK's Management Board were involved in the process of preparing the report (preparing the content and/or its review and approval). This includes the process of determining the scope of the report, which is described in detail below.

This report has been approved by the Management Board of BGK.

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GRI 2-4

In reference to the previous report, we have made changes in the presentation of the following indicators: [GRI 302-1], [GRI 305-1 to 3] and [GRI 401-3]. The relevant explanations are provided directly below the indicators. In reference to the previous report, we have made changes in the presentation of capital adequacy, leverage risk and liquidity risk ratios as at 31 December 2022, resulting from the single rulebook Q&A published by the European Banking Authority (EBA) regarding the moment of recognition of annual and interim profits in the capital adequacy data (for details, see the part on financial risk described in [Section VII.3. Financial risk](#)).

Process to determine material reporting topics

GRI 3-1

In 2023, we updated our list of material sustainability topics through a five-step process that took into account the perspective of our organisation and its environment. Out of a long list of potentially material topics, seven were selected to be covered in the integrated report.

Process steps:

1. The reporting team identified **potentially material topics** related to the Bank’s economic, environmental and social impact. We took into account, among other things, the thematic scope of the previous integrated report and the conclusions from consultations with the Management Board and the management staff of BGK.
2. We expanded the list of potential topics taking into account matters included in the **European Sustainability Reporting Standards (ESRS)**.

As a result, to assess the materiality of the impact we have selected 18 potentially material topics:

- Climate change
- Environmental pollution
- Water consumption and use of marine resources
- Biodiversity and ecosystems
- Circular economy
- Workers in the value chain
- Local communities
- Poverty and social exclusion
- Good health and well-being of the society
- Access to education in Poland
- Strategic security of the country
- Consumers and end-users
- Social inclusion
- Industrial and infrastructure development
- Corporate culture
- Protection of whistle-blowers
- Management of relationships with suppliers
- Anti-corruption and anti-bribery

In addition, we have identified 13 potentially material employee matters:

- Employment security
- Working time
- Adequate wages
- Dialogue with employees
- Exercise of employees’ right of association, the existence of employee council and the information, consultation and participation rights of employees
- Work-life balance
- Occupational health and safety
- Gender equality
- Training and skills development
- The employment and inclusion of people with disabilities
- Preventing mobbing and other forms of violence at the workplace
- Diversity management at the workplace
- Ensuring other work-related rights

3. We conducted an **impact materiality assessment** separately for employees and external stakeholders. The external stakeholder survey took the form of, among other things, three moderated dialogue meetings, to which we invited representatives of the commercial sector, the public sector and European development banks. In addition, we invited representatives of organisations associating local government units to participate in an online survey. In turn, the internal stakeholder survey took the form of an online survey addressed to the Bank's Sustainability Ambassadors. Both stakeholder groups completed a questionnaire in which they were asked to rate the materiality of the topics presented on a scale of 0 to 5, with topics related to employees rated only by persons employed at BGK.
4. In addition to the materiality assessment, we conducted a **preliminary analysis** of the matters referred to above in terms of their **financial materiality** in preparation to the expected requirements under the CSRD (double materiality analysis). The analysis was conducted using the SASB methodology, and the results were subject to internal consultation.
5. Based on the results of the impact materiality assessment, **we prepared a list of material topics**, which was approved by the ESG Committee. In addition, the results of a preliminary financial materiality analysis were presented for discussion. In subsequent periods, the methodology of financial materiality analysis will be expanded and adapted to the specific conditions at the Bank.

List of material topics:

■ GRI 3-2

1. Security
2. Development of local communities
3. Good health and well-being
4. Climate change
5. Employee matters
6. Corporate culture, ethics, compliance and transparency of information
7. Industrial and infrastructure development

Compared to 2022, the list of material reporting topics has been extended by one matter. Some aspects have been reformulated due to sustainability trends and the adoption of the ESRS by the European Commission.

TABLE 76. Comparison of lists of material topics for 2023 and 2022

2023	2022	Note
Security	Security	The aspect considered the most important in both 2023 and 2022, including in the context of strategic, energy and cyber security.
Development of local communities	Development of local communities	It covers creating new jobs, preserving cultural heritage, adequate housing conditions, access to water and sanitation, among other things.
Good health and well-being	Good health and well-being	It takes into account, among other things, access to health care services, promotion of a healthy lifestyle, as well as measures to promote the well-being and the quality of life of the society.
Climate change	Climate change, adaptation and reduction of environmental pollution and greenhouse gas emissions	Under the abbreviated name of the material topic, we continue to understand adaptation to climate change, supporting the energy transition, reducing adverse environmental impacts, and integration of climate-related aspects in risk management.
Employee matters	BGK's employees: equal opportunity, working conditions, employee health	Here we take into account secure employment, integration of people with disabilities, and occupational health and safety, among other things.
Corporate culture, ethics, compliance and transparency of information	Ethics, compliance and transparency of information	A topic of significant importance in the financial sector, which is subject to many regulations. It covers, among other things, the Bank's stated values, mission, protection of whistleblowers and respect for human rights.
Industrial and infrastructure development		A new topic identified as material due to the key role of transforming the economy in accordance with the concept of sustainable development, among other things.

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2. Auditor of the financial statements, disclosures subject to audit and assurance of non-financial information

Details of the audit agreement date and the auditor’s fees are presented in Note 53 to the separate financial statements of Bank Gospodarstwa Krajowego for 2023.

In performance of the requirements of Article 111a of the Banking Law, we report that:

- Bank Gospodarstwa Krajowego acts only on the territory of the Republic of Poland as the only state-owned Bank and does not have any foreign subsidiaries,
- BGK did not enter into an agreement referred to in Article 141t.1 of the Banking Law,
- in accordance with its financial statements, in 2023 BGK’s turnover, (calculated as the total of interest income, commission income, net gain on financial instruments at fair value through profit or loss, net exchange differences, and net gain on investments in financial assets) was PLN 14,636 million, profit before tax amounted to PLN 3,150 million, while income tax totalled PLN 712 million,
- BGK did not receive any financial support from public funds under the Act on Support from the State Treasury to Financial Institutions of 12 February 2009.

The above information was audited by an auditor.

GRI 2-5

Individual elements of the report were consulted with, inter alia, the Internal Audit Department, the Compliance Department and other business units. The Company’s financial results for 2023 were audited by independent auditing firm Mazars Audyt Sp. z o.o. during an audit of the separate financial statements of the Bank and the consolidated financial statements of the BGK Group. Non-financial data was subject to assurance by Bureau Veritas Polska Sp. z o.o.

The integrated report was subject to external attestation:

- in accordance with the provisions of International Standard on Assurance Engagements 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board (IAASB) with respect to compliance with GRI Standards developed by the Global Reporting Initiative,
- in accordance with the ISO 14064-3 standard – with respect to completeness and accuracy of disclosures on greenhouse gas emissions.

3. Index of UN Sustainable Development Goals to which we refer

	UN Sustainable Development Goal	Reference in the report	Location
	Good health and well-being	TeamEurope initiative – COVID-19 vaccines and support for Ukraine	86
		Healthcare	20 , 158
		BGK as an employer	32
		Working conditions	33
		Accessibility Fund	80
		COVID-19 Response Fund	175
		Medical Studies Loan Fund	183
		“Your Yes has the power”	81

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UN Sustainable Development Goal	Reference in the report	Location
 Quality education	Polish Science Fund	179
	Student Loan Fund	183
	Medical Studies Loan Fund	183
	Educational activities for SMEs carried out in cooperation with PARP	84
	Kozminski University in Warsaw	84
	“Small Town”	81
	“My Little Homeland”	82
	MATura+ and MATma ²	82
	InwestorJa (InvestorMe)	82
	Training on the subject of “Business and management”	83
 Gender equality	BGK as an employer	32
	Diversity management	44
	MAKi – Male vs. Female point of view	83
 Clean water and sanitation	3W Idea	69
	Strategic Investment Programme	191
 Affordable and clean energy	3W Idea	69
	Strategic security	58
	Impact of our financing on the environment and climate	178
	Thermo-modernisation and Renovation Fund	175
	COVID-19 Response Fund	19, 58, 158

UN Sustainable Development Goal	Reference in the report	Location
 Decent work and economic growth	Surety funds and Krajowa Grupa Poręczeniowa	104
	Entrepreneurship development	19, 157
	Social and territorial cohesion	21, 159
	Working conditions	33
	Accessibility Fund	80
	Care for the employees	38
	Export finance and international business	85
	National Guarantee Fund	181
	Liquidity Guarantee Fund	180
	Tourist Refund Fund	182
	Crisis Guarantee Fund	181
	Sureties and guarantees provided under government programmes	192
	Industrial development	18, 156
	Strategic security	19, 158
 Industry, innovation, and infrastructure	Aid Fund	176
	3W Idea	69
	Industrial development	18, 156
	Infrastructure, transport and logistics	18, 156
	Export finance and international business	85
	National Road Fund	175
	Railway Fund	177
	Inland Waterways Fund	182
	Polish Science Fund	179
	Government Road Development Fund	177
Loan for Technological Innovations / Technological grant / Environmental bonus	188	
Strategic security	19, 158	
Strategic Investment Programme	191	

UN Sustainable Development Goal	Reference in the report	Location
 Reduced inequalities	Social and territorial cohesion	21, 159
	Corporate volunteering	76
	Aid Fund	176
	Borrower Support Fund	178
	Subsidy Fund	179
	Government Housing Fund	182
	Student Loan Fund	183
	Housing development	71
	Development of social economy entities	74
	Accessibility Fund	80
	“Most the Music”	82
 Sustainable cities and communities	Social and territorial cohesion	21, 159
	Housing	22, 160
	National Road Fund	175
	Subsidy Fund	179
	Government Housing Development Fund	179
	Government Housing Fund	182
	Government Road Development Fund	177
	Strategic Investment Programme	191
	Housing development	71
	Development of social economy entities	74
	Accessibility Fund	80
COVID-19 Response Fund	175	
Our Monument	82	
Jabłonki programme	83	

UN Sustainable Development Goal	Reference in the report	Location
 Climate action	3W Idea	69
	Housing	22, 160
	Impact of our financing on the environment and climate	58
	Ecological Surety and Guarantee Fund	183
	Thermo-modernisation and Renovation Fund	178
	“Time into the forest”	77
	Re:Generation	77
 Life on land	Housing development	71
	Re:Generation	77
 Peace, justice and strong institutions	Operation “Clean river”	77
	We eliminate corruption	126
	#UnifyUkraine campaign	79
 Partnerships for the goals	“Stay Together” concert for Ukraine	79
	Ukraine Business Compact 2023	79
	Cooperation with international public institutions	86
	Cooperation with International Financial Institutions (IFI)	87
	Partnerships in the area of sustainable finance and ESG standards	84

4. GRI content index

Statement of compliance	Bank Gospodarstwa Krajowego submitted the report in accordance with the GRI Standards for the reporting period from 1 January 2023 to 31 December 2023.
GRI 1 applied	GRI 1: Foundation 2021
Applicable GRI Sector Standards	-

GRI STANDARD / OTHER SOURCE	INDICATOR NUMBER	INDICATOR NAME	LOCATION	ATTESTATION	REQUIREMENTS NOT APPLIED
The organisation and its reporting practices					
The only bank of its kind	2-1	Organisational details	<u>7, 11</u>	✓	
	2-2	Entities included in the organisation's sustainability reporting	<u>162</u>	✓	
	2-3	Reporting period, frequency and contact point	<u>162</u>	✓	
	2-4	Restatements of information	<u>163</u>	✓	
	2-5	External assurance	<u>165</u>	✓	
Activities and workers					
Value creation	2-6	Activities, value chain and other business relationships	<u>11, 130, 131</u>	✓	
	2-7	Employees	<u>32</u>	✓	
	2-8	Workers who are not employees	<u>32</u>	✓	
Governance					
Employees	2-9	Governance structure and composition	<u>114, 118</u>	✓	
	2-10	Nomination and selection of the highest governance body	<u>118</u>	✓	
	2-11	Chair of the highest governance body	<u>118</u>	✓	
	2-12	Role of the highest governance body in overseeing the management of impacts	<u>135</u>	✓	
	2-13	Delegation of responsibility for managing impacts	<u>137</u>	✓	
	2-14	Role of the highest governance body in sustainability reporting	<u>123, 162</u>	✓	
	2-15	Conflicts of interest	<u>129</u>	✓	
	2-16	Communication of critical concerns	<u>134</u>	✓	
	2-17	Collective knowledge of the highest governance body	<u>118, 136</u>	✓	
	2-18	Evaluation of the performance of the highest governance body	<u>136</u>	✓	
	2-19	Remuneration policy	<u>33, 114, 118</u>	✓	
	2-20	Process to determine remuneration	<u>33, 114, 118</u>	✓	
	2-21	Annual total compensation ratio	<u>34</u>	✓	

GRI 2: General Disclosures 2021

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GRI STANDARD / OTHER SOURCE	INDICATOR NUMBER	INDICATOR NAME	LOCATION	ATTESTATION	REQUIREMENTS NOT APPLIED
Strategies, policies and practices					
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	<u>5</u>	✓	
	2-23	Policy commitments	<u>44, 71, 81, 125, 131</u>	✓	
	2-24	Embedding policy commitments	<u>44, 71, 80, 125, 131</u>	✓	
	2-25	Processes to remediate negative impacts	<u>125</u>	✓	
	2-26	Mechanisms for seeking advice and raising concerns	<u>54, 128</u>	✓	
	2-27	Compliance with laws and regulations	<u>125</u>	✓	
	2-28	Membership in organisations	<u>84, 88, 195</u>	✓	
	Stakeholder engagement				
GRI 3: Material topics 2021	2-29	Approach to stakeholder engagement	<u>52</u>	✓	
	2-30	Collective bargaining agreements	<u>33</u>	✓	
	3-1	Process to determine material topics	<u>163</u>	✓	
	3-2	List of material topics	<u>164</u>	✓	
	Economic				
GRI 3: Material topics 2021	3-3	Management of material topic: Climate change		✓	
GRI 201: Economic Performance 2016	Own indicator 6	Other risks and opportunities due to climate change	<u>147</u>	✓	
Market Presence					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<u>34</u>	✓	
Procurement Practices					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	<u>131</u>	✓	
Anti-corruption					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	<u>126</u>	✓	
	205-2	Communication and training about anti-corruption policies and procedures	<u>126</u>	✓	
	205-3	Confirmed incidents of corruption and actions taken	<u>126</u>	✓	

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GRI STANDARD / OTHER SOURCE	INDICATOR NUMBER	INDICATOR NAME	LOCATION	ATTESTATION	REQUIREMENTS NOT APPLIED
Anti-competitive behaviour					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 206: Anti-competitive Behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	<u>125</u>	✓	
Tax					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 207: Tax 2019	207-1	Approach to tax	<u>130</u>	✓	
Materials					
GRI 3: Material topics 2021	3-3	Management of material topic: Climate change		✓	
GRI 301: Materials 2016	301-1	Materials used by weight or volume	<u>69</u>	✓	
Water and Effluents					
GRI 3: Material topics 2021	3-3	Management of material topic: Climate change		✓	
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	<u>68</u>	✓	
Issues					
GRI 3: Material topics 2021	3-3	Management of material topic: Climate change		✓	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	<u>65</u>	✓	
	305-2	Energy indirect (Scope 2) GHG emissions	<u>65</u>	✓	
	305-3	Other indirect (Scope 3) GHG emissions	<u>65</u>	✓	
	305-4	GHG emissions intensity	<u>65</u>	✓	
Waste generated in operations					
GRI 3: Material topics 2021	3-3	Management of material topic: Climate change		✓	
GRI 306: Waste 2020	306-3	Waste generated	<u>68</u>	✓	
Supplier Environmental Assessment					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	<u>130</u>	✓	

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GRI STANDARD / OTHER SOURCE	INDICATOR NUMBER	INDICATOR NAME	LOCATION	ATTESTATION	REQUIREMENTS NOT APPLIED
Employment					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
	401-1	New employee hires and employee turnover	39	✓	
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	34	✓	
	401-3	Parental leave	35	✓	
Occupational Health and Safety					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
	403-1	Occupational health and safety management system	42	✓	
GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	43	✓	
	403-3	Occupational health services	43	✓	
	403-4	Worker participation, consultation, and communication on occupational health and safety	43	✓	
	403-5	Worker training on occupational health and safety	44	✓	
	403-6	Promotion of worker health	35	✓	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	43	✓	
	403-9	Work-related injuries	44	✓	
	403-10	Work-related ill health	44	✓	
Training and Education					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
	404-1	Average hours of training per year per employee	40	✓	
GRI 404: Training and Education 2016	404-2	Programmes for upgrading employee skills and transition assistance programmes	40	✓	
	404-3	Percentage of employees receiving regular performance and career development reviews	42	✓	
Diversity and Equal Opportunity					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	46, 47	✓	
GRI 405: Diversity and Equal Opportunity 2016	405-2	Ratio of basic salary and remuneration of women to men for each employee category, by significant locations of operation	47	✓	

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GRI STANDARD / OTHER SOURCE	INDICATOR NUMBER	INDICATOR NAME	LOCATION	ATTESTATION	REQUIREMENTS NOT APPLIED
Non-discrimination					
GRI 3: Material topics 2021	3-3	Management of material topic: Employee matters		✓	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	45	✓	
Customer Privacy					
GRI 3: Material topics 2021	3-3	Management of material topic: Corporate culture, ethics, compliance and transparency of information		✓	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	125	✓	
Security					
GRI 3: Material topics 2021	3-3	Management of material topic: Security		✓	
	Own indicator 1	Amount of support granted under the Strategic Security programme	17, 19	✓	
Local Community Development					
GRI 3: Material topics 2021	3-3	Management of material topic: Local community development		✓	
	Own indicator 2	Amount of support granted for the Social and Territorial Cohesion programme	21	✓	
	Own indicator 3	Number of financings awarded for the construction of new apartments for the poorest and apartments with moderate rents	22	✓	
Good health and well-being					
GRI 3: Material topics 2021	3-3	Management of material topic: Good health and well-being		✓	
	Own indicator 4	Amount of support granted under the Healthcare programme	20	✓	
Industrial and infrastructure development					
GRI 3: Material topics 2021	3-3	Management of material topic: Industrial and infrastructure development		✓	
	Own indicator 5	Amount of support granted as part of the Industrial development programme in 2023	18	✓	

Signatures of the Members of the Management Board of Bank Gospodarstwa Krajowego:

**First Vice-President of the
Management Board**

Signed with a qualified
electronic signature

Paweł Nierada

**Member of
the Management Board**

Signed with a qualified
electronic signature

Radosław Kwiecień

**Member of
the Management Board**

Signed with a qualified
electronic signature

Tomasz Robaczyński

**Member of
the Management Board**

Signed with a qualified
electronic signature

Marek Tomczuk

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1. Flow funds
2. European programmes and development cooperation
3. Public finance
4. Sureties and guarantees provided under government programmes
5. Membership in organisations
6. Method of calculating GHG emissions
7. Assumptions made in the analysis of SDGs
8. Changes in the regulatory environment
9. Glossary

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1. Flow funds

Flow funds were established at BGK under separate laws. The funds are unincorporated. Their resources are expended based on financial plans agreed with the Minister of Finance and approved by ministers competent for the scope of duties of a given fund.

In accordance with the Articles of Association of BGK as well as separate legislation and other legal acts, BGK keeps separate records and assumes responsibility for the preparation of the statement of financial position and the statement of profit or loss of the funds, but their assets and liabilities are not disclosed in the statement of financial position and the statement of profit or loss of BGK. Under the relevant laws, the Bank acts as the operator of the flow funds and on behalf of some of them it may incur liabilities in the form of bonds issues, credit facilities or loans, but does not control them and does not bear credit risk related to their assets.

Business decisions on the allocation of funds for specific purposes cannot be made directly by BGK – they result from statutory provisions and decisions of individual fund administrators.

The accounts of these funds are for presentation purposes only and have been prepared in compliance with statutory requirements.

1.1. COVID-19 Response Fund (FPCOV-19)

■ SDG 3, SDG 7, SDG 11

The COVID-19 Response Fund was established under the Act of 31 March 2020 Amending the Act on Specific Solutions Related to Preventing, Counteracting and Combating COVID-19 and Other Infectious Diseases and Crises They Caused, and Certain Other Acts, and has been operated by BGK since 18 April 2020. The fund was set up to provide financial support for the implementation of tasks specified in the act on its establishment.

The Bank processes deposits and withdrawals made to and from the COVID-19 Response Fund, secures debt financing for the fund in the form of bond issues, prepares the fund's financial plan in consultation with the Minister of Finance, which is subsequently approved by the Prime Minister, and prepares monthly reports on the implementation of the financial plan, as well as the fund's statement of financial position and the statement of profit or loss for the completed year.

In particular, in 2023 the COVID-19 Response Fund was used to finance:

- expenses resulting from the so-called energy shield, including:
 - coal allowances paid by municipalities,
 - compensation payments specified in the Act of 15 September 2022 on Special Solutions for Certain Heat Sources in Connection with the Situation on the Fuel Market,
 - compensation payments for setting a maximum price of electricity specified Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Provide Support to Selected Offtaker Categories in 2023,
 - compensation payments and electricity allowances provided for in the Act on Special Solutions for the Protection of Customers of Electricity in 2023 in Connection with the Situation on the Electricity Market, dated 7 October 2022,
 - compensation payments and VAT reimbursement provided for in the Act on Special Protection of Certain Customers of Gaseous Fuels in 2023 in Connection with the Situation on the Gas Market, dated 15 December 2022,
- payments under funding commitments provided by Bank Gospodarstwa Krajowego under the Government Polish Order Fund: Strategic Investment Programme and the Government Programme for Restoration of Monuments.

1.2. National Road Fund (KFD)

■ SDG 9, SDG 11

The National Road Fund was established under the Act on Toll Motorways and the National Road Fund of 27 October 1994 and has been operated by BGK since 2004.

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Its purpose is to finance the construction and alteration of national roads, including motorways and expressways built as part of multiannual government road programmes:

- Government National Road Construction Programme until 2030 (with an outlook until 2033),
- 100 By-Pass Roads Construction Programme for 2020–2030,
- Programme of Safe Road Infrastructure for 2021–2024).

as well as to cover any expenditures related to payments due to toll motorway operators and costs of construction and maintenance of toll collection systems on national roads.

The Bank processes deposits and withdrawals made to and from the fund, secures debt financing for the fund by issuing bonds and taking out loans (primarily from the European Investment Bank). It prepares the fund’s financial plan in consultation with the Minister of Finance, the Minister of Infrastructure, which is then subject to the opinion of the Minister of Funds and Regional Policy. The Bank also prepares periodic (monthly, quarterly, annual) reports on the implementation of the financial plan.

1.3. Armed Forces Support Fund (FWSZ)

The Armed Forces Support Fund was established under the Homeland Defence Act of 11 March 2022 and has been operated by BGK since 23 April 2022.

Its purpose is to finance or co-finance the activities specified in the Armed Forces development programme. The fund receives its proceeds from sources specified in the law establishing the fund, including from debt financing in the form of loans and bonds, sources referred to in the provisions on the Military Property Agency, support granted to foreign militaries, granting them access to military ranges, and specialist military services.

The Bank processes deposits and withdrawals made to and from the Armed Forces Support Fund, secures debt financing for the fund, prepares the fund’s financial plan in consultation with the Minister of Finance, subject to the approval by the Minister of National Defence, and prepares an annual report on the implementation of the financial plan.

1.4. Aid Fund (FPOM)

■ SDG 8, SDG 10

The Aid Fund was set up at BGK in 2022 pursuant to the Act on Assistance to Ukrainian Citizens in Connection with the Armed Conflict on the Territory of the Country, dated 12 March 2022.

Its purpose is to finance the implementation of measures aimed at providing assistance to refugees from Ukraine affected by armed conflict who have found shelter in Poland and measures relating to food security in Poland.

In 2023, the fund’s resources were used to continue the financing of:

- health care services provided to refugees, payment of social welfare benefits, family and child benefits,
- accommodation and meals for refugees, including the cost of operation of reception points and medical points set up at reception points,
- efforts related to education and care of children and students who are Ukrainian nationals and whose stay is considered legal,
- measures taken in connection with the disruptions in the agricultural market caused by the war in Ukraine, related to Poland’s food security, under which financial assistance was provided to Polish farmers.

The act establishing the Aid Fund does not specify any time frame for its operation. The duration of the fund depends on the situation related to the armed conflict in Ukraine.

The Bank processes deposits and withdrawals made to and from the Aid Fund, secures debt financing for the fund in the form of bond issues, prepares the fund’s financial plan in consultation with the Minister of Finance, which is subsequently approved by the Prime Minister, and prepares monthly reports on the implementation of the financial plan, as well as the fund’s statement of financial position and the statement of profit or loss for the completed year.

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1.5. Government Road Development Fund (RFRD)

■ SDG 9, SDG 11

Since 1 January 2023 BGK has operated the Government Road Development Fund, which was established as a result of the transformation of the special purpose state fund into a flow fund under the Act Amending the Act on the Government Road Development Fund and Certain Other Acts, dated 5 August 2022.

The purpose of the fund is to support local government units in improving road safety and technical parameters of local road networks, as well as increasing the attractiveness and accessibility of investment areas. The fund's resources can be allocated to co-finance:

- construction, alteration and renovation of district and municipal roads,
- construction of bridges along provincial, district and municipal roads,
- construction of by-passes along provincial roads,
- construction, alteration or renovation of access roads to intermodal terminals or construction, alteration or renovation of access roads to special economic zones,
- footpaths, bicycle paths, pedestrian crossings, bicycle crossings, stop platforms, along with access paths to those platforms on district, municipal and provincial roads,
- construction, alteration and renovation of provincial, district and municipal roads serving national defence purposes.

The fund's financial plan is prepared by the Minister of Infrastructure and is consulted with the Minister of Finance. The Bank processes deposits and withdrawals made to and from the Government Road Development Fund and prepares quarterly reports on the implementation of the financial plan.

1.6. Railway Fund (FK)

■ SDG 9

The Railway Fund was established under the Act on the Railway Fund of 16 December 2005 and has been operated by BGK since 2006.

The purpose of the fund is to finance:

- preparation of the construction and reconstruction of railway lines,
- repairs and maintenance of railway lines,
- liquidation of unused railway lines,
- running costs of PKP Polskie Linie Kolejowe S.A. (PKP PLK S.A.) related to railway infrastructure management,
- co-financing of the activities of railway infrastructure management entities, which cannot be financed from fees for the use of the railway infrastructure.

The Railway Fund can also finance:

- purchase and modernisation of rolling stock used for diagnosing, maintenance, repair or construction of railway infrastructure, and rescue operations,
- purchase of PKP PLK S.A. shares from Polskie Koleje Państwowe S.A. (PKP S.A.) by the State Treasury,
- tasks of local governments in individual provinces related to the purchase, modernisation and repair of rolling stock used for the carriage of passengers.

The Bank processes deposits and withdrawals made to and from the fund, prepares the fund's financial plan in consultation with the Minister of Finance, the Minister of Infrastructure and the Minister of Funds and Regional Policy, and prepares periodic (quarterly, annual) reports on the implementation of the financial plan.

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1.7. Borrower Support Fund (FWK)

■ SDG 10

The Borrower Support Fund operates under the Act on Support for Housing Loan Borrowers in a Difficult Financial Situation, dated 9 October 2015.

The Fund's objective is to provide repayable support to individuals in a difficult financial condition who are obliged to repay housing loans that constitute a considerable financial burden on their household budget. The funds are derived from payments made by lenders in proportion to the size of their portfolio of housing loans to households, where the delinquency in payment of the principal or interest exceeds 90 days, repayments of the support funds as well as income on invested cash surplus of the fund.

As at 31 December 2023, contributions from lenders amounted to PLN 1,998.7 million. As at the end of 2023, agreements were executed with 44 lenders as regards the implementation of the aforesaid legal act.

1.8. Thermo-modernisation and Renovation Fund (FTiR)

■ SDG 7, SDG 13

The legal basis of the operation of the Thermo-modernisation and Renovation Fund is the Act of 21 November 2008 on Supporting Thermal Modernisation and Refurbishment and on the Central Register of Emissivity of Buildings. In 2023, the fund performed activities related to provision of state financial aid to investors pursuing thermal modernisation and refurbishment projects, compensation payments to owners of residential buildings with lodging units, who implemented refurbishment projects or made repairs using own or borrowed funds, and performed day-to-day management activities related to the STOP SMOG programme under agreements with municipalities. An amendment to the above act resulting from the Act Amending Certain Acts Facilitating the Improvement of Housing Conditions, dated 29 September 2022, changed the

parameters of the thermomodernisation and refurbishment bonus and introduced a new MHS bonus for investors who implement projects involving the thermal modernisation or refurbishment of municipal dwelling stocks, amounting to 50% of project costs. The amendment of the act also introduced the following grants to be paid out from the fund:

- thermomodernisation grant – for improving the energy efficiency of a multi-dwelling building,
- MHS grant – for improving the technical condition of municipal dwelling stocks,
- RES grant – for purchase, installation, construction or upgrade of renewable energy source installation.

These grants are financed from the state budget funds administered by the Minister of Development and Technology. Grants are financed from EU funds or the Polish Development Fund.

In 2023, BGK granted the thermomodernisation bonus, the refurbishment bonus and the compensation bonus in partnership with ten lending banks and two institutions selected by invitation to tender, which reviewed audits and documents concerning the reinforcement of prefabricated concrete apartment buildings.

In 2023, the FTiR was also used for ongoing operation of the STOP SMOG programme involving state aid in municipal low-emission programmes set up to reduce the emission of pollutants and improve air quality. Projects in the programme are implemented based on an agreement concluded with a municipality by the National Fund for Environmental Protection and Water Management for and on behalf of the minister competent for climate.

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1.9. Polish Science Fund (FPN)

■ SDG 4, SDG 9

The key objective of the Polish Science Fund is to finance scientific activities facilitating the development of innovative products and to aid the establishment and development of innovative models for organisation of R&D work. The Fund operates under the Act on Supporting Scientific Activities from the Polish Science Fund of 4 April 2019 and the agreement between the Ministry of Science and Higher Education and BGK of 19 June 2019.

From the establishment of the Fund until 31 December 2023, spending on the financing of research teams totalled PLN 19.46 million, while the costs of tasks completed by the manager amounted to PLN 8.41 million.

1.10. Government Housing Development Fund (RFRM)

■ SDG 11

The activities of the Government Housing Development Fund are intended to improve the availability of apartments by stimulating new housing investment projects on the market of rental housing units built by social housing initiatives (SIM).

The activities related to the management of the RFRM have been carried out under the Act Amending Certain Acts Supporting the Housing Industry of 10 December 2020. The RFRM is used to finance part or all expenditure of municipalities on acquisition of shares in new or existing Social Housing Initiatives.

To support its capacity to complete its tasks in 2023 the RFRM received treasury securities with a nominal value of PLN 700 million from the Ministry of Funds and Regional Policy.

In 2023, BGK received 411 payment instructions regarding the RFRM from the National Property Resource, based on which 395 instructions were executed for a total of PLN 1,213 million in financial support to municipalities.



1.11. Subsidy Fund (FD)

■ SDG 10, SDG 11

The Subsidy Fund was established under the Act on Interest Subsidies for Fixed-Rate Housing Loans of 5 December 2002.

In 2023, BGK used the Subsidy Fund to finance tasks relating to the management of the following programmes:

- **Loan interest subsidies (DSS)**

Activities under the loan interest subsidy programme are carried out under the aforementioned act and in 2023 consisted in settlements with lending institutions relating to the differences between the interest charged for a given period at the reference rate and the interest repaid for the same period by borrowers, i.e. charged at a fixed interest rate.

- **Rodzina na Swoim (RnS; Family's Own Home)**
In 2023, activities related to the operation of the Family's Own Home programme were limited to its administration and the ongoing processing of subsidy reimbursements.
- **Non-repayable construction support (BSK)**
Activities related to the management of the non-repayable construction support programme are carried out on the basis of the Act on Financial Support of Certain Housing Projects of 8 December 2006, and in 2023 consisted in the acceptance, evaluation and qualification of applications for financial support, as well as execution and management of agreements from 2017–2023.
- **Mieszkanie dla Młodych (MdM; Apartment for the Young)**
The Bank's activities related to the management of the Apartment for the Young programme were carried out on the basis of the Act on State Aid Provided for the Purchase of the First Flat by Young People of 27 September 2013 and in 2023 consisted in granting the additional co-financing for the repayment of a part of the loan, paying the additional financial support and carrying out controls at lending institutions, involving verification of whether a loan advanced complied with the provisions of the Act and terms of the agreement between the lending institution and BGK.
- **Residential construction support programme (SBC)**
The programme is operated under the Act on Social Forms of Housing Development of 26 October 1995 and the implementing act issued on the basis thereof. BGK's main activities under the programme consist in accepting and evaluating applications for preferential repayable financing under the current editions of the programme, as well as granting, administration and monitoring of financing based on applications submitted in previous editions.
- **Mieszkanie na Start (MnS; Housing for a Start)**
The activities related to the management of the Housing for a Start programme have been carried out under the Act on State Subsidies to Household Expenses in the First Years of Tenancy, dated 20 July 2018, and in 2023 consisted in accepting applications submitted by municipalities for conclusion of subsidy agreements, reviewing the applications, and executing of relevant agreements with municipalities.

1.12. Liquidity Guarantee Fund (FGP)

SDG 8

The Liquidity Guarantee Fund was established at BGK under the Act of 31 March 2020 Amending the Act on Specific Solutions Related to Preventing, Counteracting and Combating COVID-19 and Other Infectious Diseases and Crises They Caused, and Certain Other Acts. Under the Act, loan repayment guarantees were offered to small and large-sized companies.

Under the Act on Subsidies to Interest on Bank Loans Granted to Entrepreneurs Affected by COVID-19 and on Simplified Proceedings for Approval of an Arrangement in Connection with the Occurrence of COVID-19, dated 19 June 2020, guarantees for the repayment of factoring limits were introduced, addressed to enterprises from the SME sector and large companies.

A subsequent amendment of the Act on Specific Solutions Related to the Prevention of and Combating COVID-19 and Other Infectious Diseases and Crises They Caused, dated of 2 March 2020, i.e. The Act of 7 October 2020 Amending Certain Acts to Combat the Socio-Economic Consequences of COVID-19, enabled the provision under the LG Fund, in duly justified cases, in particular for reasons of important economic or social interest, of individual sureties or guarantees for the repayment of a loan or other liability.

Following the expiry of the Communication from the Commission: "Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak" pursuant to the Communication from the Commission of 18 November 2021: "Sixth Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak and amendment to the Annex to the Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance", BGK could provide guarantees from the LG Fund under the decision of the European Commission of 22 December 2021 (State Aid SA.100902 2021/N Poland) (C(2021) 9960 final) until 30 June 2022.

1.13. National Guarantee Fund (KFG)

SDG 8

The National Guarantee Fund has been operated by BGK since January 2018 under the Act on Sureties and Guarantees Granted by the State Treasury and Certain Legal Persons of 8 May 1997 as part of the government programme “Supporting Entrepreneurship through BGK Sureties and Guarantees”. The establishment of the fund was aimed at implementing the guarantee model as an instrument of systemic strategic intervention in the SME sector that mobilises public and private funds for the implementation of state policy. The commonly available guarantees for SMEs on the one hand were to promote the use of financial resources of Polish businesses and motivate them to invest, and on the other hand to improve the efficiency of using EU funds.

The establishment of the KFG makes it possible to:

- use funds released from financial instruments of operational programmes at the central level of the current and previous financial framework of the European Union,
- funds reallocated from BGK’s capitals,
- any voluntary participation of stakeholders within any timeframe, thus diversifying the source of financing for de minimis guarantees.

The state budget plays a supplementary and supporting role as the guarantor of the system’s liquidity.

In 2023, a decision was made to discontinue offering de minimis guarantees with special terms that had been introduced consistently from March 2020 in the period of the COVID-19 pandemic and continued with a view to mitigating the adverse economic effects of Russia’s aggression against Ukraine, as well as sanctions imposed by the European Union.

Because as of the end of 2022 it is no longer possible to provide guarantees from the Portfolio Guarantee Facility for leases with a counter-guarantee from the European Investment Fund under the Pan-European Guarantee Fund, on 1 January 2023 a de minimis portfolio guarantee facility for leases (LGL-KFG) was implemented, which is a continuation of the guarantee offer for leases.

In 2023, as part of the KFG 98,311 guarantees were provided for PLN 42,597 million, and as part of the LGL-KFG 2,569 guarantees were provided for PLN 453 million.

1.14. Crisis Guarantee Fund (FGK)

SDG 8

The was set up at Bank Gospodarstwa Krajowego pursuant to the Act of 12 March 2022 Amending the Act on Assistance to Ukrainian Citizens in Connection with the Armed Conflict on the Territory of the Country, and Certain Other Acts.

The Crisis Guarantee Fund was established to provide support to SMEs and large enterprises in the context of the negative economic consequences of the armed conflict in Ukraine and the sanctions imposed by the European Union and its economic partners, as well as the retaliatory measures taken by Russia. The effects of this situation cause a decrease or loss of profitability and financial liquidity of businesses due to e.g. lower demand, disruptions of contracts and projects leading to a drop in sales, disruptions in supply chains (import and export to Ukraine), and higher electricity and gas prices.

In 2023, 2,312 guarantees were provided for PLN 17,126 million, including 704 factoring limit repayment guarantees for PLN 3,043 million.

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1.15. Tourist Refund Fund (TFZ)

■ SDG 8

The Tourist Refund Fund operates under the Act on Specific Solutions Related to Preventing, Counteracting and Combating COVID-19 and Other Infectious Diseases and Crises They Caused, dated 2 March 2020, and the agreement of 29 October 2020 between the Minister of Minister of Development, Labour and Technology and BGK. The TFZ was established to manage cash payments to travellers in the cases referred to in the act. Payments to travellers are made by the Insurance Guarantee Fund.

In 2020, the TFZ received a transfer of PLN 300 million from the COVID-19 Response Fund. Repayments to the TFZ made by travel agencies in the period from the establishment of the fund until 31 December 2023 totalled PLN 67.70 million.

1.16. Inland Waterways Fund (FZŚ)

■ SDG 9

The Inland Waterways Fund was established at BGK in 2003 pursuant to the Act on the Inland Waterways Fund and the Reserve Fund, dated 28 October 2002. Since 2019 the operation of the Fund has been governed by the Act on Financial Support of Inland Shipowners, the Inland Waterways Fund and the Reserve Fund, dated 31 July 2019.

The purpose of the fund is to:

- support inland waterway transport through the provision of financial support for the modernisation of the shipping fleet,
- support other projects intended to restructure inland navigation, including those implemented with a view to protect the natural environment and improve the safety of navigation.

Using the fund's resources, preferential loans are advanced to inland shipowners and refinances the purchase of ship equipment. Support to shipowners from the FZŚ constitutes de minimis aid and is provided by BGK in compliance with the terms laid down in the Commission Regulation

(EU) No. 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid. The Bank processes deposits and withdrawals made to and from the fund, prepares the fund's financial plan in consultation with the Minister of Finance and the Minister of Infrastructure, and prepares periodic (quarterly, annual) reports on the implementation of the financial plan.

1.17. Government Housing Fund (RFM)

■ SDG 10, SDG 11

The Government Housing Fund was established at BGK under the Act on Family Mortgage and 2% Safe Mortgage, dated 1 October 2021.

The purpose of the Fund is to:

- improve the ability of households to meet their housing needs through elimination of the barrier of insufficient own funds that are required by lending banks as own contribution to obtain a mortgage loan by offering the ability to cover the loans with BGK's guarantees,
- stop negative demographic trends related to a low level of fertility in families repaying mortgage loans incurred to satisfy their own housing needs by making family repayments when a second or subsequent child is born into the borrower's household,
- improve the fulfilment of the housing needs of households that do not own any apartment or single-family house through:
 - periodic subsidies to instalments of mortgage loans granted for the purchase or construction of the first apartment or single-family house,
 - the Home Savings Account is designed to aid persons who save up for the purchase of the first apartment.

The Fund is financed from the state budget funds administered by the Minister of Development and Technology. In 2023, the RFM received a state budget grant of PLN 12 million from a specific provision. In 2023, PLN 2 million was disbursed under Family Repayments.

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1.18. Ecological Surety and Guarantee Fund (EFPIG)

■ SDG 13

The Ecological Surety and Guarantee Fund was established at BGK on 1 January 2021 under the Act of 28 October 2020 Amending the Act on Supporting Thermal Modernisation and Refurbishment and Certain Other Acts. The Fund's operations are governed by the Environmental Law of 27 April 2001.

The establishment of the Fund was aimed at expanding the instruments of the "Clean Air" government priority programme managed by the National Fund for Environmental Protection and Water Management and implemented by 16 Regional Funds for Environmental Protection and Water Management.

The programme aims at increasing the energy efficiency of single-family residential buildings and reducing their emissions of dust and other pollutants into the atmosphere by replacing old, inefficient solid fuel heating equipment and carrying out thermal upgrades of these buildings. In 2023, 577 guarantees were provided for an aggregate of PLN 27 million.

1.19. Medical Studies Loan Fund (FKSM)

■ SDG 3, SDG 4

The Medical Studies Loan Fund was set up under the Act of 17 November 2021 Amending the Higher Education and Science Law and Certain Other Acts.

The purpose of the fund is to:

- increase the availability of medical studies,
- reduce the emigration of physicians
- increase the number of specialists through a system of preferential loans for students of paid medical programmes in Polish higher education institutions, who study in Polish.

Students can benefit from subsidies to interest on loans for medical studies, sureties of those loans provided by BGK, and partial or full forgiveness of loans for medical studies.

The loans are advanced by Bank Pekao S.A. (agreement of 13 July 2022).

1.20. Student Loan Fund (FKS)

■ SDG 4, SDG 10

The Student Loan and Credit Fund was established at BGK in 1999 pursuant to the Act of 17 July 1998 on Student Loans and Credits. As of 1 January 2019, the Student Loan and Credit Fund changed its name to the Student Loan Fund, which operates under the Act on Higher Education and Science of 20 July 2018 and the Regulation of the Minister of Science and Higher Education on student loans of 20 December 2018.

The statutory objective of the Fund is to provide wider access to tertiary education through a system of preferential student loans in the form of loan interest subsidies and in the form of partial or complete forgiveness of loans.

Since the launch of the student loan system, over 409.7 thousand students have obtained such loans.

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TABLE 77. Key figures relating to flow funds (PLN million)
31 Dec 2023

Carrying amount	FPCOV-19	KFD	FWSZ	FPOM	RFRD	FK	FWK	FD	FTiR	FPN	RFRM	FGP	KFG	FGK	TFZ	FZŚ	RFM	EPIG	FKSM	FKS
Balance sheet total	165,416	66,485	30,381	13,963	4,977	4,597	1,843	694	531	530	394	283	221	95	80	58	6	1	1	1
Cash held by the Fund	2	923	7,785	925	30	10	1	408	-	530	201	283	221	95	80	0	6	1	1	1
Securities	2,638	2,917	-	-	4,947	4,587	1,841	286	531	-	193	-	-	-	-	55	-	-	-	-
Liabilities under loans incurred	-	42,337	21,065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities under bonds issued	171,089	21,306	6,976	13,375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Performance and cash flows																				
										2023										
Profit or loss	-4,035	-1,698	-587	-268	485	248	119	77	21	29	76	24	8	80	4	3	-1	0	-1	-1
Inflows	49,238	19,124	31,616	13,057	9,995	3,506	213	1,640	214	30	815	26	92	81	35	6	8	1	10	34
Proceeds from regulatory payments	23,658	14,415	10,501	4,737	9,469	3,237	87	1,462	169	-	723	-	-	-	31	2	12	0	10	33
Proceeds from loans, bonds	22,716	4,176	19,483	7,944	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other inflows	2,864	532	1,632	376	527	269	125	178	45	30	92	26	92	81	4	5	-4	0	0	1
Outflows	59,546	20,713	24,189	15,019	5,019	2,280	248	2,645	136	13	1,214	32	529	4	31	3	4	0	9	33
Expenses on the implementation of tasks specified in the law	55,186	17,711	23,294	14,776	5,018	2,279	245	2,636	128	12	1,213	30	506	-	-	3	2	-	8	32
Servicing of debt financing	4,347	2,977	891	242	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other outflows	13	25	4	1	1	1	3	9	8	1	1	2	23	4	31	1	2	0	1	1

Detailed information on statements of financial position and statements of profit or loss of the funds are included in the appendix to the [Financial statements](#) of Bank Gospodarstwa Krajowego.

31 Dec 2022

Carrying amount	FPCOV-19	KFD	FWSZ	FPOM	RFRD	FK	FWK	FD	FTiR	FPN	RFRM	FGP	KFG	FGK	TFZ	FŹŚ	RFM	EPIG	FKSM	FKS
Balance sheet total	160,619	68,010	10,635	6,443	-	3,372	1,873	1,699	452	513	794	290	650	18	76	55	2	1	0	1
Cash held by the Fund	12,132	597	645	2,881	-	18	0	64	-	513	5	290	650	18	76	0	2	1	0	1
Securities	1,038	4,908	-	-	-	3,354	1,872	1,634	452	-	789	-	-	-	-	52	-	-	-	-
Liabilities under loans incurred	-	43,507	9,936	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities under bonds issued	149,377	19,572	-	6,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Performance and cash flows

2022

Profit or loss	-3,062	-1,719	129	13	-	264	33	86	18	23	0	106	24	17	3	2	-0	-1	-1	-1
Inflows	39,186	27,146	15,311	16,763	-	1,938	1,350	962	66	23	1,097	113	53	18	34	5	2	1	1	28
Proceeds from regulatory payments	31,083	15,215	4,990	10,432	-	1,673	1,313	846	42	-	1,088	-	-	-	31	2	2	0	1	28
Proceeds from loans, bonds	7,761	11,235	9,909	6,170	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other inflows	342	696	412	161	-	265	38	116	24	23	10	113	53	18	3	3		0	0	1
Outflows	46,361	23,498	14,638	13,884	-	5,880	76	1,178	145	13	484	36	309	-	29	1	0	1	1	28
Expenses on the implementation of tasks specified in the law	43,199	15,366	14,496	13,880	-	5,878	73	1,169	140	12	484	35	296	-	-0	0	-	-	1	26
Servicing of debt financing	3,147	8,118	142	0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other outflows	14	14	0	4	-	1	3	9	5	1	0	1	13	-	29	0	0	1	1	1

2. European programmes and development cooperation

We participate as an active partner of the government and local administrations in the implementation of many programmes supporting Poland's socio-economic and regional development. At the same time, as an institution that was one of the first European development banks to pass the accreditation procedure (Pillar Assessment), we directly cooperate with the European Commission in the implementation of programmes, many of them in the area of development cooperation. Due to the growing importance and scale of the use of repayable instruments, we assume that our role in this area will consistently increase.

Our programmes are characterised by large diversity in terms of the implementation model, the area of intervention (e.g. entrepreneurship, green investments, labour market) and the form of support (loans, guarantees, capital participation, non-repayable support). Importantly, through the implementation of repayable support programmes, we create sustainable financing instruments and enable repeated use of the funds entrusted to us (e.g. we continue to reinvest funds still coming from the financial framework 2007–2013 and 2014–2020).

Given the specificity of products and effectiveness of implementation of individual programmes, we act as a direct provider of financing or as a trust fund manager, distributing support through a network of financing institutions, i.e. financing partners, selected in contract award procedures. Their role is precisely to reach the final beneficiaries of the programmes we implement, i.e. SMEs, local governments, housing communities, individuals setting up businesses, among others.

Financial instruments implemented by BGK indirectly (with BGK acting as the manager of fund of funds/trust fund) in national and regional support programmes.

In this capacity, we carry out programmes with both national and regional scope. They primarily involve support for entrepreneurship in the SME sector, energy efficiency, renewable energy sources, circular economy, regeneration, digitisation and supporting the labour market.



This support takes the form of various financial products (preferential loans, guarantees, capital participation, as well as mixed instruments, which combine repayable and non-repayable support).

In 2023, we focused on two main aspects of our business, i.e. completing projects entrusted to us with funds from the financial framework 2014-2020 and establishing cooperation with ministries and provincial governments to implement projects under the financial framework 2021-2027. As a result of these activities we entered into agreements with 16 managers of financial resources to implement new multi-annual financial projects financed from EU funds (13 regional and 3 national programmes). Last year, we also announced the first tenders for the selection of financing partners and signed the first agreements with selected entities to implement tasks financed under the new financial framework.

At the same time, we continued to implement programmes financed from domestic funds, i.e. whose implementation is not dependent on EU programming periods.

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TABLE 78. Funds entrusted in individual programmes (PLN million)

Programme	Amount of entrusted funds
Regional programmes 2021-2027	7,350
Regional operational programmes for 2014-2020	5,744
Smart Growth Operational Programme – liquidity	4,333
European Funds for a Modern Economy	1,824
Smart Growth Operational Programme – capital	975
First Business – Start-Up Support (European Funds for Social Development 2021-2027)	556
European Funds for Eastern Poland	452
First Business – Start-Up Support II	380
Operational Programme Digital Poland – broadband loans	216
Business in Eastern Poland – Tourism	199
Focus on development – European loans for education (European Funds for Social Development 2021-2027)	195
European repayable instruments for the development of social economy (European Funds for Social Development 2021-2027)	148
Operational Programme Knowledge Education Development	143
Accessibility Fund	75
Accessibility Plus – European loans for entrepreneurs (European Funds for Social Development 2021-2027)	60
Liquidity loan for SEEs	50
JEREMIE	48
Human Capital Operational Programme – pilot project	43
First Business – Start-Up Support	22
Total	22,813

Debt instruments through which we provide direct financing

Under agreements executed with managers of the financial resources (e.g. the minister competent for regional development, the executive boards of provinces, the European Investment Bank), we act as a funding institution, i.e. we grant loans for financing investments.

In 2023, as in the case of instruments implemented in the indirect model, we completed projects entrusted to us with funds from the financial framework 2014-2020 and we initiated cooperation with provincial governments to implement programmes under the financial framework 2021-2027.

At the same time, in the past year, together with the so-called Institutions in charge of investment projects (individual ministers) we undertook extensive efforts aimed at implementing the support instruments under the National Recovery and Resilience Plan. We plan to launch these instruments in 2024.

TABLE 79. Funds entrusted in individual programmes (PLN million)

Programme	Amount of entrusted funds
Broadband loans	500
Regeneration loan for the Śląskie province	223
Jessica2 loan for the Wielkopolskie province – regeneration	174
Jessica2 loan for the Wielkopolskie province – power generation	146
Accessibility Fund	184
Jessica2 loan for the Mazowieckie province	108
Regeneration loan for the Pomorskie province	80
Loans under the European Funds for the Lubelskie province 2021-2027 programme	22
Total	1,437

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Effects of implementation of financial instruments

Our efforts in the area of implementing financial instruments produced measurable effects. Each of our programmes has its own specific nature, and its effectiveness and contribution to Poland's socio-economic development is measured with different indicators. Examples of the effects of the instruments implemented in the financial framework 2014-2020 include:

- support for 33,736 SMEs,
- 429 capital contributions to companies conducting R&D work or implementing innovative solutions,
- 9,861,700 m² of regenerated area,
- financing of development of 773 social economy entities.

Support programmes based on blending facilities

Loan for Technological Innovations / Technological grant / Environmental bonus

■ SDG 9

Since December 2022 we have acted as an intermediary institution for two instruments under the EU financial framework 2021-2027: technology loan and environmental loan. Both instruments are offered as part of the European Funds for a Modern Economy 2021-2027 programme.

The technology loan provides support to SMEs implementing innovative projects with an allocation of about PLN 714 million. In 2023, we concluded 87 agreements for more than PLN 760 million in funding. The environmental loan, in turn, is a form of support for SMEs, small mid caps and mid caps implementing company energy efficiency improvement projects with an allocation of some PLN 1,994 million. In 2023, we concluded 109 agreements for a total amount of financing of approximately PLN 303 million.

In 2023, act as an intermediary institution we also continued the implementation of the Loan for Technological Innovations under the Smart Growth Operational Programme 2014–2020. In this programme, we provided SMEs with financing in the form of a technological grant with a total value of co-financing of about PLN 3.6 billion under 981 agreements.

InvestEU Fund

As of 20 April 2023, as the only Polish financial institution, BGK has become an implementing partner in the InvestEU Programme, with a mandate to provide investment loans backed by an EU guarantee. The value of the guarantee for BGK is EUR 241.5 million. The Bank plans to use it to boost investment projects under two segments of the InvestEU Programme policy: Sustainable infrastructure and Research, innovation and digitisation.

CEF 2 Alternative Fuel Infrastructure Facility

The programme is to support the deployment of alternative fuel supply infrastructure, contributing to decarbonising transport along the Trans-European Transport Network (TEN-T). Based on an administrative agreement with the European Commission, we acted as the CEF 2 AFIF Implementing Partner in Poland in 2023. Our role is most of all to promote the instrument, identify potentially eligible projects, carry out their initial evaluation in terms of meeting the relevant requirements and provision of repayable financing to project promoters in accordance with own credit policy (loan from the Bank's own funds, at least 10% of project value).

In 2023, we provided financing and recommended seven projects to the European Commission, including five projects involving the construction of electric vehicle fast charging stations and two projects for the construction of hydrogen refuelling stations. In 2022–2023, a total of nine projects (two in 2022 and seven in 2023) were financed by BGK under CEF 2 AFIF, three of which have passed the EC evaluation and are already covered by grant agreements with the EC and loan agreements with BGK, while the remaining five projects are under evaluation.

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Development cooperation programmes

In 2023, we participated in the implementation of several development cooperation programmes, in particular:

TeamEurope initiative – COVID-19 vaccines and support for Ukraine

Throughout 2023, we continued to pursue activities related to the implementation of a EUR 35 million grant agreement with the EC for the delivery of COVID-19 vaccines by EU Member States to Eastern Partnership countries and assistance efforts for Ukraine during the ongoing war caused by the aggression of Russia (including the purchase of 25 ambulances, hygiene and medical supplies – including a CT scanner and food products, as well as 100 school buses for the transport and evacuation of children, supplies needed during the autumn and winter season, and the provision of psychological assistance). We implemented the grant in cooperation with the Solidarity Fund PL (SFPL). We were responsible for managing funds, reporting and monitoring the project’s progress, and acted as payment agent. The activities were completed in December 2023.

Support for the MSME sector in Ukraine

In 2023, we carried out activities as part of the EC’s guarantee mechanism for the micro, small and medium enterprise sector in Ukraine through Ukraine’s Kredobank, which allowed the bank to continue lending during the ongoing war. By a decision of the EC of December 2023, the pool of funds under the mechanism was increased to EUR 20 million. The mechanism is envisaged to cover a period of 13 years (until 2036).

Loan from BGK to the Republic of Moldova

On 19 December 2023, BGK and representatives of the government of the Republic of Moldova signed a EUR 5 million loan agreement in Chisinau. Thanks to the agreement, in cooperation with the EU, we will act to support the micro, small and medium-sized enterprise sector in the Republic of Moldova. The support will be provided for energy transition projects. The EU funds

will be used to co-finance the reduction of interest on the loan to Moldova and finance technical assistance. Technical assistance activities will be carried out jointly with the Solidarity Fund PL.

Investment projects in Africa (EFSD+)

Throughout 2023, we worked on a portfolio of projects that BGK will implement under the EC’s risk-sharing finance facility (EUR 115 million guarantee) for digitisation projects in sub-Saharan Africa under the European Fund for Sustainable Development Plus (EFSD+). The facility will make it possible to offer attractive financing for digital projects implemented in sub-Saharan African countries. The investment loans with the EFSD+ guarantee will be advanced to special-purpose vehicles – entities that will be set up together with a European technology partner to carry out specific digitisation projects. We plan to sign the agreement with the EC in 2024.

3. Public finance

Consolidation of public finances

In accordance with the Act on Public Finance of 27 August 2009, since May 2011 we have administered the process of consolidation of public funds.

We operate on the basis of the agreement between the Minister of Finance (MF) and BGK and our tasks include:

- carrying out operations related to the acceptance as deposits or under management of unallocated financial resources of public sector entities/non-public sector entities classified as government sector entities;
- refunding the amounts provided to the Minister of Finance, with interest, to the bank accounts of those entities;
- maintaining bank accounts for the Ministry of Finance for the purposes of accepting amounts from entities and refunding them, in addition to transferring interest accrued on such amounts;
- processing transfers initiated by the Ministry of Finance from the bank accounts maintained by BGK;

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- preparing reports on the amounts accepted as deposits or under management for the Ministry of Finance.

In addition, as of January 2015 we are responsible for the management of deposit accounts of the Minister of Finance on which cash accepted for court deposit are held, and as of January 2022 also deposit sums of common prosecutor's office organisational units. As part of administration of deposit accounts of the Minister of Finance:

- we keep accounts in PLN, EUR, USD, GBP, CHF,
- we carry out operations related to the management of deposit accounts of the Minister of Finance, including maintenance of subsidiary ledgers for each court deposit and record of deposit sums of common prosecutor's office organisational units held in each deposit account of the Minister of Finance, daily interest accrual and periodic capitalisation of interest due on each deposit;
- we maintain bank accounts for the Ministry of Finance for the purposes of accepting amounts from the deposit accounts of the Ministry of Finance as overnight deposits and refunding them, in addition to transferring interest accrued on such amounts;
- we provide the Ministry of Finance with reports on the managed accounts;
- we cooperate with the heads of courts of general jurisdiction, heads of public sector entities, and heads of common prosecutor's office organisational units with respect to the management of the deposit accounts of the Minister of Finance assigned to each court.

As at 31 December 2023, the total value of consolidated funds amounted to PLN 93 billion and was PLN 38.2 billion lower compared with the figure as at the end of 2022.

As at 31 December 2023, BGK consolidated 2,819 bank accounts where public funds were deposited. The funds held in those accounts were used to set up term deposits amounting to PLN 22.7 billion, while the remaining PLN 61.3 billion were transferred to overnight deposits.

Deposit accounts of the Minister of Finance

As part of managing deposit accounts of the Ministry of Finance, we provide services to 278 general jurisdiction and military courts and 58 prosecutor's office organisational units. At the end

of 2023, the amount of court deposits held was PLN 7.6 billion and deposit sums of prosecutor's office organisational units totalled PLN 1.4 billion.

Banking services with respect to, and keeping accounting records of, liabilities and receivables of the State Treasury

In 2023, we carried out tasks related to our cooperation with the Ministry of Finance, which consisted in the provision of banking services with respect to, and keeping accounting records of, foreign and domestic liabilities and receivables of the State Treasury. As at the end of 2023, foreign liabilities and receivables of the State Treasury under our management totalled USD 45.7 billion and USD 1.9 billion, respectively.

Payment of compensations for real property left outside the current borders of Poland

Since 2006 we have been processing payments relating to cash compensation for real property left outside the current borders of the Republic of Poland (the so-called Bug River Area Displaced Person Act of 8 July 2005). In 2023, we made more than 1.6 thousand payments totalling nearly PLN 98.2 million. By the end of 2023, we had made nearly 83.4 thousand compensation payments amounting to PLN 5,042.7 million.

Processing of payments from EU funds and state aid

In accordance with the Act on Public Finance of 27 August 2009, we have processed payments from EU funds to beneficiaries since January 2010. Under the Act, payments may also be made as part of state aid distributed through BGK.

In 2023, we processed:

- 3 payment instructions for PLN 3.3 million under EU funds as part of the Financial Framework 2007-2013,
- 87,030 payment instructions totalling PLN 51.7 billion, including 917 payment instructions for PLN 109.1 million with respect to state aid under the Financial Framework 2014–2020,

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- 1,632 payment instructions totalling PLN 4.7 billion, including one payment instruction for PLN 106.6 thousand with respect to state aid under the Financial Framework 2021-2027.

From the launch of the service until the end of 2023, we processed:

- 741,809 payment instructions for PLN 275.3 billion, including 12,786 payment instructions for PLN 670.3 million with respect to state aid under the Financial Framework 2007-2013,
- 696,625 payment instructions totalling PLN 364.5 billion, including 4,448 payment instructions for PLN 420.6 million with respect to state aid under the Financial Framework 2014–2020,
- 1,632 payment instructions totalling PLN 4.7 billion, including one payment instruction for PLN 106.6 thousand with respect to state aid under the Financial Framework 2021-2027.

Strategic investment programme

■ SDG 6, SDG 9, SDG 11

The Government Polish Order Fund: The intention of the Strategic Investment Programme is to expand the scale of public investment through non-repayable subsidies for projects carried out by LGUs and their associations. The non-repayable co-financing may amount up to 98% of project value. The Programme is implemented through BGK’s funding commitments. To date, under the Government Polish Order Fund: Strategic Investment Programme nine calls for applications concerning co-financing of projects were announced, in which 34,531 applications were submitted.

In total, co-financing was provided for 19,545 projects for PLN 99.2 billion.

In 2023, the sixth, seventh, eighth and ninth call for applications were concluded. Co-financing was awarded for 8,525 projects amounting to PLN 35.8 billion.

TABLE 80. Co-financing by province (PLN million)

Co-financing by province	31 Dec 2023
Mazowieckie	3,519
Wielkopolskie	3,224
Łódzkie	2,990
Podkarpackie	2,983
Lubelskie	2,935
Małopolskie	2,780
Dolnośląskie	2,514
Kujawsko-Pomorskie	2,482
Śląskie	1,871
Podlaskie	1,856
Pomorskie	1,804
Zachodniopomorskie	1,788
Warmińsko-Mazurskie	1,673
Świętokrzyskie	1,412
Lubuskie	1,050
Opolskie	910
Total	35,790

Completed projects

4,219 projects worth PLN 17.3 billion were completed, accounting for 22% of projects awarded with funding in nine completed calls for applications.

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TABLE 81. Number of projects completed in 2023 with amount of co-financing paid by province (PLN million)

	Number of completed projects	Co-financing paid
Mazowieckie	522	2,308
Wielkopolskie	478	1,742
Łódzkie	326	1,483
Podkarpackie	321	1,437
Lubelskie	375	1,430
Małopolskie	265	1,231
Dolnośląskie	275	1,152
Kujawsko-Pomorskie	270	1,051
Śląskie	229	943
Podlaskie	202	904
Pomorskie	204	883
Zachodniopomorskie	218	746
Warmińsko-Mazurskie	196	742
Świętokrzyskie	115	531
Lubuskie	125	366
Opolskie	98	348
Total	4,219	17,297

Government Programme for Restoration of Monuments

On 26 July 2023, the second edition of the Government Programme for Restoration of Monuments was launched (funds are provided from the COVID-19 Response Fund, as in the case of the Strategic Investment Programme). The Programme is implemented through funding commitments of Bank Gospodarstwa Krajowego. The support may be used by local government

entities. Non-repayable government support can be used to co-finance conservation, restoration and construction work on registered monuments. To date, as part of the Government Programme for Restoration of Monuments two calls for applications concerning co-financing of projects were announced, in which 19,258 applications were submitted.

In total, co-financing was provided for 8,055 projects for PLN 4.3 billion.

In each edition, the co-financing under the programme could amount up to 98% of the project value, while the minimum contribution of local governments was only 2%. Applicants could seek support in one of three categories: up to PLN 150,000, up to PLN 500,000, and up to PLN 3.5 million.

In 2023, BGK granted 398 funding commitments for a total of PLN 166.6 million.

75 projects worth PLN 20 million were completed, accounting for 1% of all projects awarded with funding.

4. Sureties and guarantees provided under government programmes

SDG 8

As part of our surety and guarantee operations we support enterprises (in particular SMEs) in financing their development needs, including investments, and individuals in terms of financing projects aimed at improving housing conditions and replacement of heat generators or thermomodernisation.

BGK carries out surety and guarantee operations in compliance with the Act on Sureties and Guarantees Granted by the State Treasury and Certain Legal Persons of 8 May 1997.

Under the “Supporting Entrepreneurship through BGK Sureties and Guarantees” programme, we performed tasks in four primary areas:

- government programme of de minimis guarantees for SMEs – As of July 2018 guarantees are provided as part of the National Guarantee Fund (“NGF”),
- utilisation of EU funds for guarantees in the SME sector – An initiative under the Smart Growth Operational Programme (SG OP) and the Rural Areas Development Programme for 2014-2020,
- management of active portfolios of sureties and guarantees, including portfolios, which have been removed from offer,
- cooperation with surety funds.

In order to ensure the availability of the offer relating to liquidity guarantees, which in 2022 were provided pursuant to the Communication from the Commission of 19 March 2020: “Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak”, in 2023 we continued to provide them from the Crisis Guarantee Fund pursuant to the Communication from the Commission of 24 March 2022: “Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia”. Guarantees provided from the Crisis Guarantee Fund in cooperation with banks (loan repayments) and factors (factoring limits) were intended to meet liquidity and investment needs of SMEs and large enterprises. On 1 January 2023, we implemented a de minimis Portfolio Guarantee Facility for leases (LGL-NGF), which is a continuation of the guarantee offer for leases, as guarantees (LGL-EGF) are no longer provided as of the end of 2022.

As of 4 January 2023, we introduced changes in the Clean Air guarantee, which are financed from the Ecological Surety and Guarantee Fund and provided under the “Clean Air” guarantee programme using guarantees of Bank Gospodarstwa Krajowego, being one of the instruments of influence of the “Clean Air” Priority Programme managed by the National Fund for Environmental Protection and Water Management and implemented by provincial environmental protection and water management funds. We have increased the maximum amount of a guarantee to PLN 120,000 and adjusted the rules for providing guarantees to the changes made by the National Fund for Environmental Protection and Water Management in the priority programme.

In 2023, under the amended rules, we modified the parameters of own contribution guarantees launched in 2022 and financed from the Government Housing Fund – we took into account that they became a non-obligatory element of family (previously guaranteed) housing loans (GHF-FHL guarantees). We also expanded the range of guarantees to include a new type of loan – the 2% Safe Mortgage (GHF-SM guarantees).

In November 2023, with the approval of the Ministry of Agriculture and Rural Development, the period of availability of special terms of AGF guarantees and interest rate subsidies for liquidity working capital facilities provided in connection with measures taken to counteract the effects of the COVID-19 pandemic was extended until 31 December 2025.

Programme implementation

In 2023, our surety and guarantee offer included the following products:

- loan repayment guarantees/sureties provided on a portfolio basis, including:
- loan repayment guarantees as part of the Portfolio De Minimis Guarantee Facility (PDMGF-NGF), which were provided in combination with a surety provided by the surety fund (PDMGF PLUS). In 2023, the provision of de minimis guarantees was continued on special conditions introduced in 2020 in connection with the COVID-19 pandemic and maintained in the context of the effects of the military conflict in Ukraine, which were effective until 31 December 2023,
- loan repayment guarantees as part of the de minimis Portfolio Guarantee Facility for leases (LGL-NGF) granted from 1 January 2023,
- loan repayment guarantees as part of the Guarantee Fund under the SG OP (PGF-GF SG OP). In 2023, the provision of the guarantees, including subsidies to interest on loans, were continued on special conditions introduced in 2020 in connection with the COVID-19 pandemic. Guarantees were provided until 31 December 2023, while interest rate subsidies will be provided until 31 December 2027 or until funds are exhausted,
- loan repayment guarantees as part of the Agricultural Guarantee Fund (AGF) – in 2020, special conditions for the provision of AGF guarantees, including a subsidy to interest on working capital facilities, were introduced in connection with the COVID-19 pandemic, which are

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effective until 31 December 2025, loan repayment guarantees as part of the Crisis Guarantee Fund (PGF-CGF) and factoring limit repayment guarantees as part of the Crisis Guarantee Fund (LGF-CGF) provided until 31 December 2023,

- sureties for student loans and sureties for loans for medical studies introduced in April 2022,
- Clean Air guarantees (PGF-ESGF) offered together with subsidies provided by Regional Funds for Environmental Protection and Water Management – the product is available until 31 January 2028,
- own contribution guarantees (GHF-FHL and GHF-SM) serving as security for family housing loans offered together with the possibility of receiving family repayments provided by BGK (loans provided until 31 December 2030) and 2% Safe Mortgage offered together with the possibility of receiving subsidies to instalments provided by BGK (loans provided until 31 December 2027),
- guarantees/sureties provided on a case-by-case basis.

As part of PDMGF PLUS, the funds granted 303 sureties for the amount of PLN 64.1 million by 31 December 2023. We issued guarantees under PDMGF PLUS for PLN 48.1 million.

Portfolio guarantees and sureties were offered under agreements entered into by BGK with lending banks, factors and leasing institutions. By 31 December 2023, 148 agreements were signed with 38 entities – cooperation was established with most of lending banks in Poland, including all major banks. Facilities opened under those agreements by the end of 2023 totalled PLN 209.2 billion.

In addition, as at 31 December 2023, BGK had entered into four agreements with lending banks, which set out the terms and conditions for issuing guarantees/sureties on a case-by-case basis.

TABLE 82. Sales of sureties and guarantees (PLN million)

Item	2023		2022	
	Number	Amount	Number	Amount
Sureties and guarantees provided on a portfolio basis	110,723	47,426.7	91,056	39,886.8
PDMGF NGF	98,311	42,596.6	83,358	37,816.4
LGL NGF	2,569	452.9	0	0.0
PGF COSME	0	0.0	1,245	250.3
GF SG OP	2,209	3,489.4	598	1,166.4
PGF AGF	5,606	774.4	4,206	588.3
PGF ESGF	577	27.1	1,446	54.8
PGF GHF	1,451	86.1	203	10.7
Guarantee products implemented for the period of the pandemic and the military conflict in Ukraine	2,419	17,153.3	6,958	17,939.0
PGF LG Fund	0	0.0	840	8,731.8
LGF LG Fund	0	0.0	486	1,943.7
LGL EGF	107	27.3	4,807	880.8
PGF CGF	1,608	14,082.7	647	5,726.4
LGF CGF	704	3,043.2	178	656.4

Surety funds

As at 31 December 2023, BGK's exposure to 10 surety funds, measured at contribution value, was PLN 42.76 million. The guarantee capital at their disposal totalled PLN 302.55 million.

In 2023, the funds provided 6,982 sureties with a total value of PLN 426.76 million. As at 31 December 2023, the active surety fund portfolio totalled PLN 644.88 million.

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5. Membership in organisations

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National organisations

1. Federacja Przedsiębiorców Polskich (Federation of Polish Entrepreneurs)
2. Fundacja Centrum PPP (Centrum PPP Foundation)
3. Instytut Audytorów Wewnętrznych IIA (Institute of Internal Auditors, IIA)
4. Lady Business Club
5. Polish Association of Construction Industry Employers
6. Polskie Stowarzyszenie Zarządzania Kadrami (Polish Association of Human Resources Management)
7. Stowarzyszenie Eksporterów Polskich (Association of Polish Exporters)
8. Stowarzyszenie Rynków Finansowych ACI POLSKA (The Association for Financial Markets ACI POLAND)
9. Project Management Association IPMA POLSKA
10. The Polish Bank Association
11. Business Accessibility Forum
12. Responsible Business Forum
13. European Economic Congress

Regional organisations

1. AHK Polsko-Niemiecka Izba Przemysłowo-Handlowa (AHK Polish-German Chamber of Commerce and Industry), Wrocław
2. Zachodnia Izba Gospodarcza – Pracodawcy i Przedsiębiorcy (West Chamber of Commerce – Employers and Entrepreneurs), Wrocław
3. Izba Przemysłowo-Handlowa w Białymstoku (Białystok Chamber of Commerce and Industry)
4. Podlaski Klub Biznesu (Podlasie Business Club), Białystok
5. Izba Przemysłowo-Handlowa w Krakowie (Kraków Chamber of Commerce and Industry)
6. Izba Przemysłowo-Handlowa w Rzeszowie (Rzeszów Chamber of Commerce and Industry)
7. Podkarpacki Klub Biznesu (Podkarpackie Business Club), Rzeszów
8. Izba Przemysłowo-Handlowa Ziemi Radomskiej (Chamber of Commerce and Industry of the

Radom Region)

9. Warszawska Izba Gospodarcza (Warsaw Chamber of Commerce)
10. Izba Gospodarcza Regionu Płockiego (Chamber of Commerce of the Płock Region)
11. Lubelski Klub Biznesu (Lublin Business Club), Lublin
12. Łódzka Izba Przemysłowo-Handlowa (Łódź Chamber of Commerce and Industry)
13. Opolska Izba Gospodarcza (Opole Chamber of Commerce), Opole
14. Północna Izba Gospodarcza (North Poland Chamber of Commerce)
15. Pracodawcy Pomorza (Pomeranian Employers)
16. Regionalna Izba Gospodarcza w Katowicach (Regional Chamber of Commerce of Katowice)
17. Staropolska Izba Przemysłowo-Handlowa w Kielcach (Staropolska Chamber of Industry and Commerce of Kielce)
18. Warmińsko-Mazurski Klub Biznesu (Warmińsko-Mazurskie Business Club)
19. Women in Business Lodge
20. Association for the development of Szczecin and Western Pomerania, Business Club Szczecin
21. Accountants Association in Poland, Kielce Branch

International organisations

1. European Association of Guarantee Institutions (AECM)
2. European Long Term Investors Association (ELTI)
3. European Association of Public Banks (EAPB)
4. Network of European Financial Institutions for SME (NEFI)
5. International Project Finance Association (IPFA)
6. The Institute for Internal Controls (TheIIC)
7. International Swaps and Derivatives Association (ISDA)
8. Information Systems Audit and Control Association (ISACA)
9. European Banking Federation (EBF), Anti-Money Laundering and Financial Crime Committee
10. World Economic Forum (WEF), as part of the Green Trade Platform in the ESG Practitioners Community
11. European Association for Banking and Financial History (EABH)
12. IFRS Sustainability Alliance
13. Institute of Internal Communication (IoIC)
14. International Association of Business Communicators (IABC)
15. Joint European Financiers For International Cooperation (JEFIC)

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6. Method of calculating GHG emissions

Method of calculating GHG emissions of BGK for 2023:

1) Scope of calculation and operational limits

The carbon footprint of Bank Gospodarstwa Krajowego (BGK, the Bank), i.e. the organisation's total greenhouse gas (GHG) emissions in 2023, was calculated in accordance with the "The Greenhouse Gas Protocol (GHG Protocol)," which comprises the following documents:

- "The GHG Protocol – A Corporate Accounting and Reporting Standard, Revised Edition".
- "GHG Protocol Scope 2 Guidance".
- "Corporate Value Chain (Scope 3) Accounting and Reporting Standard".

The calculation of emissions performed in accordance with the GHG Protocol included:

Scope 1 emissions, which are direct GHG emissions from combustion of fuels in stationary sources and vehicles that are owned or controlled by the organisation,

Scope 2 emissions, which are electricity indirect emissions from the generation of purchased electricity and heat,

Scope 3 emissions, which are other indirect GHG emissions along the value chain in the following categories:

- purchased goods and services (category 1),
- fuel- and energy-related activities not included in Scope 1 or Scope 2 (category 3) – included in the calculation for the first time,
- upstream transportation and distribution (category 4),
- waste generated in operations (category 5),
- business travel (category 6),
- employee commuting and teleworking (category 7).

In the calculation of GHG emissions for 2023 the scope of the collected data was expanded, allowing the emissions associated with used office space in London, Brussels and Frankfurt to be covered. In the calculation of emissions associated with the production of electricity consumed, the assumed emission factors were adjusted. In 2023, the Bank did not use energy generated from renewable sources, thus the residual mix indicator was considered more appropriate in the market-based method than the carbon intensity and fuel mix data published on energy suppliers' websites that had been used previously. With regard to other indirect emissions, reported in Scope 3, a preliminary screening was made for the potential materiality of all categories listed in the GHG Protocol, as a result of which the calculation included a new category covering emissions related to, e.g. fuel production and losses in transmission and distribution of used energy reported in Scope 1 and 2.

The results are presented as aggregate volumes for the BGK Group and by emissions generated by the Bank and the subsidiary. The calculation was made for the period from 1 January 2023 to 31 December 2023.

In accordance with the GHG Protocol methodology, the calculation covered six different greenhouse gases: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFC), perfluorocarbons (PFC) and sulphur hexafluoride (SF₆). The results of the calculation are presented in tonnes of carbon dioxide equivalent (t CO₂eq), the unit indicating the different global warming potential (GWP) of each greenhouse gas.

2) Data, calculation methods and GHG emission factors used

Scope 1

The fuel consumption data for vehicles used by the bank, reported in Scope 1, was obtained from a third-party operator. GHG emissions related to fuel combustion in vehicles were estimated based on cross-sectoral emission factors provided by GHG Protocol, fuel calorific values obtained from KOBIZE and from the Regulation of the Minister of Climate on forms of lists containing information and data of environmental use and level of fees, dated 11 December 2019 (Journal of Laws of 2019, item 2443).

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Scope 2: market-based and location-based

The energy consumption data reported in Scope 2 were sourced from the organisation’s internal records, including invoices and data obtained from building managers.

Calculations of GHG emissions from purchased electricity reported in Scope 2 were made using two methods:

- the location-based method, i.e. using an emission factor calculated based on data covering the volumes of energy produced in Poland, excluding balancing losses and differences resulting from transmission, which was published by the National Centre for Emissions Balancing and Management (KOBIZE) for 2022;
- The market-based method, i.e. based on the residual mix emission factor for Poland for 2022, as published by the European Association of Issuing Bodies (AIB).

For purchased heat and cooling the emission factor for Poland for 2022 published by the Energy Regulatory Office was used.

Scope 3

Calculations of GHG emissions in Scope 3 were made based on data from the organisation’s internal systems, records and invoices, as well as data obtained from suppliers, building managers and a third-party operator engaged to organise business trips of the Bank’s employees. The calculation of emissions related to employee commuting to the Bank was based on data obtained through an internal survey completed by 1,429 respondents who were employed by the Bank in 2023.

According to the GHG Protocol, the calculation methods used depended on the type of data obtained and included methods based on mass (e.g. products purchased or waste generated), methods that take into account the volume of materials, fuels or energy consumed (e.g. transport of shipments or energy used to provide a service), and methods that take into account the distance travelled (e.g. business trips or employee commuting).

Emissions factors

GWP values for individual GHGs were taken from the 5th report of the Inter-governmental Panel on Climate Change (IPCC).

Other GHG emission factors not included in national databases were taken from a database published by the Department for Environment Food and Rural Affairs (DEFRA) in the United Kingdom and from the building emission factor database published by the Partnership for Carbon Accounting Financials (PCAF).

For some products, other publicly available sources of information were also used, such as: “ScienceDirect” and “Healabel”.

7. Assumptions made in the analysis of SDGs

The analysis of lending transactions supporting the UN Sustainable Development Goals (SDGs) was based on the following assumptions:

- the analysis covered lending transactions (including guarantees, letters of credit, treasury limits) which were:
 - executed as part of own and commissioned activities (including activities attributable to flow funds),
 - consistent with the business model programmes,
- In general, SDGs were assigned to transactions automatically based on the following attributes:
 - business model programme,
 - product,
 - sector in which a given business partner operates (leading industry),
 - category of a given business partner,
- It was assumed that each transaction may be assigned to only one SDG.

- Flow funds, which provide financing supporting the achievement of various objectives, are allocated to the relevant SDGs, broken down into relevant amounts based on actual use of payments made.
- Transactions that do not support any of the SDGs include: financing of the defence, (coal) mining and fuel sectors, central budget units. Exception – financing of investments not related to the direct activities of the partner and supporting one of the SDGs, e.g. RES.
- Gas was considered as a transition fuel. Transactions with partners in this sector were classified as support for availability of energy in Goal 7. Affordable and clean energy.
- Transactions in which the financed project or investment supports a different SDG than resulting from the nature of the business partner’s activities are assigned to the SDG consistent with the financed project on a case-by-case basis.

The SDGs supported by transactions were finally determined in consultation with bank advisors and directors of business model programmes.

8. Changes in the regulatory environment

The most important amendments that affect BGK’s operations were made to the following laws:

- Act on the Financial Information System of 1 December 2022,
- Act of 13 January 2023 Amending the Act on Assistance to Ukrainian Citizens in Connection with the Armed Conflict on the Territory of the Country, and Certain Other Acts,
- Act of 8 February 2023 Amending the Act on Special Solutions for Certain Heat Sources in Connection with the Situation on the Fuel Market, and Certain Other Acts,
- Act of 9 March 2023 Amending the Act on Digital Accessibility of Websites and Mobile Applications of Public Entities and the Tax Ordinance,
- Act of 9 March 2023 Amending the Labour Code and Certain Other Acts,
- Act on State Aid in Saving for Residential Purposes of 26 May 2023,
- Act on mObywatel Application of 26 May 2023,
- Act of 16 August 2023 Amending Certain Acts in Connection with Ensuring the Development of the Financial Market and the Protection of Investors in the Market,
- Act of 13 July 2023 Amending the Act on Export Insurance Guaranteed by the State Treasury and Certain Other Acts,

- Act of 16 August 2023 Amending the Act on Special Solutions for the Protection of Customers of Electricity in 2023 in Connection with the Situation on the Electricity Market, and Certain Other Acts,
- Regulation of the Minister of Finance of 25 September 2023 on de minimis aid granted by Bank Gospodarstwa Krajowego in the form of loan repayment guarantees under the European Funds for a Modern Economy 2021-2027 programme,
- Regulation of the Minister of Finance of 19 December 2023 amending the regulation on de minimis aid granted by Bank Gospodarstwa Krajowego in the form of loan repayment guarantees under the Rural Areas Development Programme 2014-2020,
- Regulation of the Minister of Finance of 22 December 2023 on state aid granted by Bank Gospodarstwa Krajowego in the form of loan repayment guarantees under the Strategic Plan for a Common Agricultural Policy for 2023-2027.

Apart from the above laws, many amendments to the Banking Law of 29 August 1997 and other regulations were also passed in 2023, which to a various extent relate to BGK’s operations.



9. Glossary

Interest-earning assets – assets that generate interest income for the Bank; they predominantly consist of loans granted to customers

AML – Anti Money Laundering

AIC – Alternative investment company

BGK, Bank – Bank Gospodarstwa Krajowego

OHS – Occupational health and safety

Biodiversity – Diversity of species and ecosystems. The destruction and fragmentation of natural habitats pose a current threat to the existence of many species of flora and fauna. Many international initiatives and agreements are designed to protect biodiversity

BTAR – Banking Book Taxonomy Alignment Ratio

CESOP – Central Electronic System of Payment Information

CFT – Combating the Financing of Terrorism

Compliance – ensuring compliance of operations with the law, standards and recommendations

CPI – consumer price index

cPPA – corporate Power Purchase Agreement, a long-term agreement for the sale of electricity from renewable energy sources, concluded directly between a power generator and its customer

CRR – Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

CSR – Corporate Social Responsibility

CSRD – Corporate Sustainability Reporting Directive – Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting

C/I – Cost to income ratio, (administrative expenses) / (income from banking activities, including other income and expenses)

Technical debt – A term referring to immature, incomplete or inadequate artifacts in the software lifecycle that result in higher costs and lower quality in the long term

Accessibility – A term used to describe the extent to which a given system can be used by as

many people as possible. In contrast to utility understood as the “ease of use” or ergonomics, accessibility means the “possibility to use” the functions or features of a given system

Commissioned activities – Tasks performed by BGK, related to the management of funds established by, entrusted with or transferred to the Bank on the basis of separate acts and agreements, as well as tasks related to the implementation of government socio-economic programmes and programmes related to local governments and regional development, including EU funds. For commissioned activities, the Bank keeps separate records based on individual books for flow funds or an additional designation of the type of activity under a programme. Exceptions from this record-keeping procedure are: KUKI export credit scheme, COSME portfolio guarantee facility, social rental housing projects and the loan portfolio of the former National Housing Fund (NHF), which are pursued by the Bank using own funds at its own risk, and, as such, they are entered in the Bank’s records as standard products of own activities.

EAP – Employee Assistance Program

EBA – European Banking Authority

ESA – European Space Agency

ESG – An acronym designated for environmental, social and governance factors

ESRS – European Sustainability Reporting Standards

EFME – the European Funds for a Modern Economy 2021-2027 programme

GAR – Green Asset Ratio

Global Reporting Initiative (GRI) – an international organisation publishing guidelines on non-financial reporting

Group, BGK Group – The Bank Gospodarstwa Krajowego Group

GUS – Główny Urząd Statystyczny (Statistics Poland)

Stakeholders – A group of entities that may influence the Bank or are affected by its activities

IIRC – International Integrated Reporting Council

LGU – Local government unit

Tier 1 capital – The sum of Common Equity Tier 1 capital referred to in Article 50 of the CRR and Additional Tier 1 capital referred to in Article 61 of the CRR (Tier 1 capital)

Tier 2 capital – The capital referred to in Article 71 of the CRR

PFSa – The Polish Financial Supervision Authority – it supervises the banking, capital, insurance and pension sectors, payment institutions and payment service bureaux, e-money institutions and the cooperative credit union sector

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CX Committee – Customer Experience Committee

Total capital ratio – Own funds referred to in Article 72 of the CRR divided by total risk exposure amount (total capital ratio)

Net interest margin – net interest income / average assets

MBIL – Multi-Beneficiary Intermediated Loans – Indirect loans provided by the European Investment Bank (EIB) to multiple beneficiaries. The funds obtained are used to support projects carried out by public entities, small and medium-sized enterprises, mid-caps and other eligible entities

IAS – International Accounting Standards, gradually replaced by IFRS (International Financial Reporting Standards)

IFRS – International Financial Reporting Standards – standards and their interpretations approved by the International Accounting Standards Board on prudential requirements for credit institutions and investment firms, with regard to regulatory technical standards for specifying the calculation of specific and general credit risk adjustments

SMEs – Small and medium-sized enterprises

NBP – the National Bank of Poland

NPS – Net Promoter Score – a tool for assessing the loyalty of customers of a given company
Interest-bearing liabilities – liabilities that generate interest expense for the Bank; they predominantly consist of deposits from customers

PCAF – Partnership for Carbon Accounting Financials – a global initiative; a methodology that enables the assessment of greenhouse gas emissions for the financial sector

GDP – Gross domestic product – aggregate value of finished goods and services produced by national and foreign production resources in a given country in a given period of time

POCI – Purchased or originated credit-impaired financial assets that are debt instruments arising from substantial modification of an impaired financial asset or granted in accordance with Article 70 of the Banking Law to uncreditworthy entities

PSD2 – Payment Services Directive – Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market

SASB – Sustainability Accounting Standards Board

SDG – UN Sustainable Development Goals for 2015-2030. They affect the activities and performance reporting of individual countries, international and national initiatives and many different entities, including entrepreneurs and the business community

BGK's Articles of Association – BGK's Articles of Association constituting and annex to the Regulation of the Minister of Development on the Adoption of the Articles of Association of Bank Gospodarstwa Krajowego, dated 16 September 2016

Carbon footprint – The total set of greenhouse gas emissions caused directly or indirectly by an individual, organisation, event or product

EU Taxonomy – Regulation (EU) No. 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment

TCFD – Task Force on Climate-related Disclosures

Act on BGK – the Act of 14 March 2003 on Bank Gospodarstwa Krajowego

Banking Law – Banking Law of 29 August 1997

Fair value – IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

WIBOR – Warsaw Interbank Offered Rate – the benchmark interest rate for loans in the Polish interbank market

WIBOR – Warsaw Interest Rate OverNight – a benchmark interest rate for O/N maturity, provided by the administrator on the basis of deposit transactions

WITIP – System for Exchanging Information on Derivative Transactions

Leverage ratio – Tier 1 capital referred to in Article 25 of the CRR divided by total exposure measure referred to in Article 429.4 of the CRR

Internal capital ratio – Internal capital divided by own funds referred to in Article 72 of the CRR

ROA – Return on assets – net profit (loss) for the year / average assets

Tier 1 ratio – Tier 1 capital referred to in Article 25 of the CRR divided by total risk exposure amount (Tier 1 capital ratio)

Capital ratios – The ratios referred to in Article 92.2 of the CRR

Generated support for the economy – takes into account: the amount of financing granted (agreement amount, loan and guarantee exposure) at the Bank's own risk, together with the mobilised capital, i.e. financing provided by other financial partner and the customer's own contribution, as well as other investment components, e.g. grants, and financing granted as part of commissioned activities together with the funds mobilised by the beneficiary and/or the intermediary, e.g. the customer's own contribution, the amount of loans granted, which are guaranteed

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Income from banking activities – net interest and commission income, net gain/loss on financial instruments at fair value through profit or loss and net exchange differences, net gain/loss on investments in financial assets and derecognition of assets

PBA – Polish Bank Association

ROE – Return on equity – net profit (loss) for the year / average total equity