

# RULES ON DRAFTING INVESTMENT ANALYSES, FINANCIAL ANALYSES AND OTHER GENERAL RECOMMENDATIONS WITH RESPECT TO TRANSACTIONS IN FINANCIAL INSTRUMENTS BY PKO BP SECURITIES



Bank Polski

## Chapter 1. General Provisions

### § 1.

1. The Rules on Drafting Investment Analyses, Financial Analyses and Other General Recommendations with Respect to Transactions in Financial Instruments by PKO BP Securities, hereinafter: "the Rules", set forth the terms of drafting and delivering investment analyses, financial analyses and other general recommendations with respect to transactions in financial instruments.
2. These Rules will apply to issues not regulated by:
  - 1) the Agreement on paid delivery of analytical materials by PKO BP Securities
  - 2) the Agreement on the delivery of analytical materials by PKO BP Securities
  - 3) the Agreement on drafting analytical materials at the individual request of the Customer.
3. Terms and abbreviations used in these Rules will have the following meaning:
  - 1) Brokering Rules: the Rules of rendering brokering services by PKO BP Securities,
  - 2) MAR Regulation - Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC,
  - 3) Recommendations Regulation: Commission Delegated Regulation (EU) 2016/958 of 9 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the technical arrangements for objective presentation of investment recommendations or other information recommending or suggesting an investment strategy and for disclosure of particular interests or indications of conflicts of interest,
  - 4) Customer: a natural person, a legal person or an organisational entity without legal personality that concluded at least one of the agreements enumerated under sec. 2 with PKO BP Securities,
  - 5) Agreement: an agreement concluded with the Customer, stipulated under sec. 2 item 1, 2 or 3,
  - 6) Investment Analysis: a written report, analysis or information of another type that recommends or suggests, directly or indirectly, specific investment measures with respect to one or more financial instruments or an issuer of financial instruments, including but not limited to opinions with respect to the current or future value or price of financial instruments, without taking into consideration the individual situation or needs of the Customer,
  - 7) Financial Analysis: quarterly reports with forecast prices of the given group of financial instruments or a discussion of quarterly results, unconnected with issuing an investment analysis,
  - 8) Transaction Report: a report drafted in connection with an initial public offering of shares in which the fundamental analysis of a company and its valuation are not connected with providing a target price and which is distributed within the scope of activities connected with the service offered by PKO BP Securities,
  - 9) Other General Recommendations: information pertaining to the predictions of market behaviour or trends in the nearest future, commentaries to the current corporate newsflow, summaries of key information from companies, industry studies and reports, statistical data published by Statistics Poland, and generally accessible information and data that may influence the prices of shares and other financial instruments,
  - 10) Recommendation (investment recommendation): an investment analysis drafted by PKO BP Securities of its own initiative that constitutes information recommending or suggesting explicitly or implicitly an investment strategy with respect to one or more financial instruments or issuers, comprising any opinion with respect to the current or future value or price of such instruments, dedicated for distribution channels or the general public in accordance with the MAR Regulation,
  - 11) Third-party Recommendation: an investment analysis drafted by a Third Party of its own initiative that constitutes information recommending or suggesting explicitly or implicitly an investment strategy with respect to one or more financial instruments or issuers, comprising any opinion with respect to the current or future value or price of such instruments, dedicated for distribution channels or the general public in accordance with the MAR Regulation,
  - 12) Third Party: an investment company other than PKO BP Securities or a foreign investment company licensed to render the service of drafting Recommendations,
  - 13) Analytical Materials: Investment Analyses or Financial Analyses or Other General Recommendations,
  - 14) Investment Research: any necessary activities performed for the purpose of drafting Investment Analyses, Financial Analyses or Other General Recommendations,
  - 15) Delivery: delivery of Investment Analyses, Financial Analyses, Other General Recommendations, and Third-party Recommendations to Customers who have concluded the Agreement to the e-mail address indicated in the Agreement on rendering brokering services by PKO BP Securities or in another manner of which the Customers have been Notified,
  - 16) Release: disclosure of Investment Analyses, Financial Analyses, and Other General Recommendations to the general public,
  - 17) Service: the service consisting in drafting Investment Analyses, Financial Analyses, and Other General Recommendations,
  - 18) Issuer: an entity issuing financial instruments in its own name,
  - 19) Online System: a system available on the Internet that enables Customers to access Analytical Materials (Supermakler for individual Customers and Mikro Portal for institutional Customers).

### § 2.

1. PKO BP Securities will draft two types of Investment Analyses:
  - 1) Recommendations,
  - 2) Investment Analyses drafted at the individual request of the Customer.
2. Financial Analyses and Other General Recommendations are drafted by PKO BP Securities of its own initiative or at the individual request of the Customer.

### § 3.

1. The Customer will receive Analytical Materials in the scope and form determined in the Agreement.
2. PKO BP Securities will not provide Recommendations, Third-party Recommendations or Financial Analyses under the Agreement on the delivery of analytical materials by PKO BP Securities.
3. The Agreement will not obligate PKO BP Securities to provide the Customer with Transaction Reports.

### § 4.

1. Recommendations, Financial Analyses and Other General Recommendations drafted by PKO BP Securities will pertain in particular to shares and other financial instruments.
2. Recommendations, Financial Analyses, and Other General Recommendations will be sent to Customers with the use of the Internet System meeting the requirements for a Permanent Carrier on the business day following the day of Delivery at the latest.
3. Third-party Recommendations will be sent to Customers with the use of the Internet System meeting the requirements for a Permanent Carrier on the business day following the day of Delivery at the latest.
4. The condition necessary for concluding the Agreement, with the exception of the agreement stipulated under §1 sec. 2 item 3, and for rendering the Service will be:
  - 1) for the Customer to have active access to the Internet System,
  - 2) for the Customer to grant Consent to the Permanent Carrier as stipulated in the Brokering Rules, subject to sec. 4,
  - 3) for the Customer to provide an e-mail address or mobile phone number to which information on issuing documents on a Permanent Carrier will be sent.
5. The consent stipulated under sec. 3 item 2 must be granted not later than within 12 calendar days from the date of concluding the Agreement.
6. PKO BP Securities will suspend the provision of the Service if the Customer ceases to meet at least one of the terms stipulated under sec. 3.
7. The object, form of drafting, and manner of providing Investment Analyses, Financial Analyses, and Other General Recommendations drafted at the individual request of the Customer will be determined in the Agreement on a case-by-case basis.

#### § 5.

1. The Agreement will be concluded in writing.
2. The Agreement on the delivery of analytical materials by PKO BP Securities may only be concluded with a Customer for whom PKO BP Securities renders services under the Agreement on rendering brokering services by PKO BP Securities, including but not limited to the individual retirement account (IKE) management and brokering services agreement.
3. Only one Agreement may be concluded with respect to an Investment Account managed jointly for spouses (with only one of the co-owners of such Investment Account).

#### § 6.

The Agreement on the delivery of analytical materials by PKO BP Securities may only be concluded by an attorney-in-fact on behalf of the Customer if such attorney-in-fact holds an unlimited power of attorney to conclude the Agreement on rendering brokering services by PKO BP Securities.

### Chapter 2: Drafting Investment Analyses, Financial Analyses, and Other General Recommendations

#### § 7.

Analytical Materials drafted at the individual request of the Customer will not be the object of Delivery to other Customers and will not be subject to Release.

#### § 8.

A Recommendation will contain the elements enumerated in the Recommendation Regulation, including in particular:

- 1) Registered name (business name) and registered office of the entity responsible for drafting the recommendation,
- 2) Name, surname and position of the person drafting the recommendation,
- 3) Date and time of completing drafting the recommendation,
- 4) Indication of significant sources of information while ensuring the reliability of all information sources or, in case of any reservations regarding the reliability of a given source, an explicit indication of such reservations,
- 5) Indication of any predictions, forecasts, and target prices as well as of material assumptions made upon drafting or using them,
- 6) Clear separation of facts from interpretations, estimates, opinions, and other types of non-factual information,
- 7) Summary of any foundations of valuation or methodology and assumptions used to assess a financial instrument as well as an indication and summary of any changes to valuation, methodology or assumptions made,
- 8) Meaning of every presented recommendation, such as "buy", "sell", "hold", and the timeframe of the investment to which the given recommendation pertains,
- 9) Reference regarding the planned frequency of updating the recommendation,
- 10) Indication of the relevant date and time for every price of financial instruments enumerated in the recommendation,
- 11) If the recommendation deviates from any previous recommendation regarding the same financial instrument or issuer that has been released within the preceding 12 months, changes to and the date of such previous recommendation,
- 12) List of all recommendations pertaining to any financial instrument or issuer that have been issued in the preceding 12-month period as well as, for every recommendation, the date of delivery, data of the person drafting the recommendation, the target price and the relevant market price upon delivery, the direction of the recommendation and the validity period of the target price or recommendation,
- 13) Any and all connections and circumstances that could influence the objectivity of drafted recommendations as well as information on any potential conflicts of interest.

#### § 9.

1. Financial Analyses and Other General Recommendations will contain elements enumerated under §8 item 1-3 and, if required by the nature of the drafted document, also other elements enumerated in §8.
2. Investment Analyses, Financial Analyses, and Other General Recommendation drafted at the individual request of the Customer will contain elements determined in the Agreement concluded with the Customer.

#### § 10.

The following do not constitute recommendations:

- 1) information and opinions with respect to financial instruments or their issuers that are published and presented:
  - a) in newspapers and magazines,
  - b) in television or radio programs,
  - c) in other mass media,if they do not meet the requirements for Investment Analyses, Financial Analyses, or Other General Recommendations,
- 2) reports drafted for the Bank's own purposes,
- 3) advice of a general nature, understood as advising the Customer on a specific type of financial instrument without referring to specific financial instruments or the Customer's individual financial situation,
- 4) investment recommendations provided within the scope of rendering the investment consulting service,
- 5) investment analyses stipulated under §2 sec. 1 item 2.

#### § 11.

1. In drafting the Recommendations, Financial Analyses, and Other General Recommendations, PKO BP Securities will ensure due diligence and care through, among other things:
  - 1) conducting Investment Research on the basis of rational foundations supported by data analysis based on verified information and realistic predictions regarding changes in the prices of financial instruments,
  - 2) A prudent assessment which factors are significant with respect to Investment Research and their justification,

- 3) differentiating between facts and opinions in the presented research,
  - 4) providing sources of information that constitute the basis of Investment Research,
  - 5) meeting the legal requirements imposed on the activity pursued by PKO BP Securities.
2. The sources of information stipulated under sec. 1 item 4 will be understood as:
    - 1) current and periodic reports of traded companies,
    - 2) industry studies and reports,
    - 3) statistical data published by Statistics Poland,
    - 4) generally available information and data.
  3. The content of this paragraph will apply to Investment Analyses, Financial Analyses, and Other General Recommendations drafted at the individual request of the Customer.

§ 12.

PKO BP Securities undertakes to draft Recommendations, Financial Analyses, and Other General Recommendations with due diligence and care.

§ 13.

1. The content of Recommendations and Financial Analyses will be confidential until their Release.
2. The Release of Recommendations and Financial Analyses may take place after the lapse of the confidentiality period.
3. The Release of Recommendations may take place after the lapse of 7 calendar days from their Delivery.
4. The terms of confidentiality and any potential Release of Financial Analyses and Other General Recommendations will be determined by PKO BP Securities.
5. The Delivery ensues through sending Recommendations, Financial Analyses, and Other General Recommendations to Customers who concluded the relevant Agreement in accordance with the scope stipulated therein. Recommendations, Financial Analyses and Other General Recommendations are delivered to all Customers simultaneously.
6. At the request of the Customer who concluded the Agreement on paid delivery of analytical materials by PKO BP Securities, the Delivery may take place additionally through the industry platforms used by the Customer.
7. Delivery does not apply to Transaction Reports.

§ 14.

1. In the confidentiality period, Recommendations, Financial Analyses, and Other General Recommendations will be addressed exclusively to Customers who have concluded the Agreement and in the relevant scope arising from such Agreement. The Customer who receives Recommendations, Financial Analyses or Other General Recommendations will be obligated not to disclose their content to anyone during the confidentiality period.
2. Disseminating or copying the Recommendations, Financial Analyses, and Other General Recommendations published by PKO BP Securities in whole or in part will be prohibited without the consent of PKO BP Securities.

§ 15.

1. In drafting the Recommendations, PKO BP will adhere to the following criteria:
  - 1) a BUY recommendation means that, according to its author, the upside of the shares in the company amounts to at least 10%,
  - 2) a HOLD recommendation means that, according to its author, the upside of the shares in the company amounts to between 0% and 10%,
  - 3) a SELL recommendation means that, according to its author, the shares in the company are characterised by a downside.
2. A Recommendation may be given a "PENDING REVIEW" status which means that the Recommendation ceases to be binding due to an unexpected reason and that PKO BP Securities is conducting Investment Research aimed at its update. Said Investment Research will result in issuing a new Recommendation.
3. A Recommendation may be given a "SUSPENDED" status which means that PKO BP Securities has ceased to conduct Investment Research. After Investment Research is recommenced, the last issued Recommendation will become binding subject to §18.

§ 16.

As a rule, non-financial Issuers are subject to valuation using the ratio analysis or the DCF method, while financial Issuers are subject to valuation using the ratio analysis or the Gordon Growth Model.

§ 17.

A Recommendation should contain an explanation of the risk connected with investing in the shares in a given company, including a sensitivity analysis of the assumptions made. As a rule, presenting the sensitivity analysis of the assumptions made should consist in presenting a comparative valuation based on at least two ratios and on the basis of forecasts for at least two years as well as on presenting the sensitivity of the valuation using the DCF method with respect to the assumed cost of capital and growth rate in perpetuity. In justified cases, it will be permissible to present the sensitivity of the valuation with respect to the assumptions made in a different manner, especially if the forecast of results is significantly sensitive to other assumptions, e.g. macroeconomic assumptions (PLN conversion rate, etc.).

§ 18.

1. Recommendations drafted by PKO BP Securities will be binding for a period of 2 months from the date of Delivery, unless they are updated in that period, subject to §15 sec. 2 and 3. PKO BP Securities will update its Recommendations depending on the market situation and the ongoing current assessment.
2. If the share price has changed significantly since the Recommendation was issued and if all the remaining elements influencing the Recommendation remain unchanged (such as the situation of the issuer, macroeconomic environment or forecasts), PKO BP Securities may modify its Recommendation and indicate that the target price, valuation methods, and forecasts remain unchanged and have been described in the previously issued Recommendation.
3. Share prices constituting the basis for modifying the Recommendation as stipulated under sec. 2 will be reviewed at least quarterly.

§ 19.

The number and frequency of Recommendations, Financial Analyses, and Other General Recommendations issued by PKO BP Securities will be determined by PKO BP Securities taking into consideration the current market situation.

§ 20.

1. PKO BP Securities may undertake the Delivery of Third-party Recommendations to its Customers.
2. The Delivery of Third-party Recommendations to the Customers will ensue immediately after PKO BP Securities receives them from Third Parties.
3. Upon distributing Third-party Recommendations stipulated under sec. 1, PKO BP Securities will provide its Customers with the following information:
  - 1) name of the Third Party drafting the relevant Third-party Recommendation,
  - 2) any and all connections and circumstances that could reasonably give rise to expectations of a negative impact on the objective presentation of the recommendation, including but not limited to interests or conflicts of interest pertaining to any financial instrument or any Issuer to which the Third-party Recommendation directly or indirectly refers,
  - 3) date and time of the first dissemination of the Third-party Recommendation.
4. With respect to sec. 3 item 3, the date and time of the first dissemination will be included in the Third-party Recommendation sent to the Customers.

### Chapter 3. Termination and Expiry of the Agreement

#### § 21

1. The Agreement may be terminated by the Customer or by PKO BP Securities at any time by a written notice of termination subject to a 14-day notice period.
2. PKO BP Securities may terminate the Agreement in the manner stipulated under sec. 1 above for the following material reasons:
  - 1) if the Customer violates the provisions of the Agreement,
  - 2) if the Customer fails to meet one or more conditions enumerated under §4 sec. 3,
  - 3) if PKO BP Securities cease to render or modifies the terms or scope of rendering the service of drafting Investment Analyses, Financial Analyses, and Other General Recommendations due to a change to legal provisions or to the emergence of economic factors that influence the service rendered.
3. The Agreement may be terminated by the Customer without observing the notice period upon the consent of PKO BP Securities.
4. The Agreement on delivering analytical materials by PKO BP Securities will expire upon the dissolution or expiry of the Agreement on rendering brokering services by PKO BP Securities.

### Chapter 4. Final Provisions, Notifications

#### § 22.

1. PKO BP Securities will send any and all correspondence addressed to the Customer to the e-mail address indicated in the agreement on rendering brokering services or in the data update form or by mail to the address for service or, in the absence thereof, to the address of residence or registered office or the principal place of business last provided by the Customer.
2. The Customer will be obligated to notify PKO BP Securities immediately of any change of address data, including the change of e-mail address.
3. The Customer will be obligated to verify the correctness of received information and documents connected with the provision of the service stipulated in the Agreement and to notify PKO BP Securities immediately in case of any irregularities.

#### § 23.

1. At the request of potential customers who are financial institutions, prior to concluding the Agreement on paid delivery of analytical materials by PKO BP Securities PKO BP Securities may provide such potential customers with Analytical Materials for a trial period in order to present to such potential customers the scope and quality of drafted Analytical Materials.
2. Providing Analytical Materials in the manner stipulated under sec. 1 may not last longer than 6 months.
3. Providing Analytical Materials during the trial period will not constitute provision of the Service and will not constitute the basis for any claims on the part of potential customers.
4. Analytical Materials provided during the trial period will be marked with a "TRIAL PERIOD" notice.

#### § 24.

Presentations containing key market information that are published online by PKO BP Securities, including in particular in the form of videos, will not constitute Analytical Materials in the meaning of these Rules and their publication will not constitute the provision of the Service.

#### § 25.

1. All issues not regulated by these Rules will be subject to the Brokering Rules.
2. Capitalised terms that have not been defined in these Rules will be interpreted in accordance with the definitions contained in the Brokering Rules.