

**MANAGEMENT BOARD MOTION**  
**ON DISTRIBUTION OF 2020 PROFIT AND PAST-YEAR UNDIVIDED PROFIT**

The Management Board of ING Bank Śląski S.A. ("Bank") hereby propose to the General Meeting distribution of 2020 net profit together with the past-year undivided profit as presented below:

(PLN)

1. net profit	1,337,561,648.08
2. past-year undivided profit, including:	495,708,010.14
- 2019 retained earnings	494,380,000.00
- remaining portion of the past-year undivided profit	1,328,010.14
3. total amount (1+2) out of which the amount of:	1,833,269,658.22
- to be earmarked for reserve capital	675,379,658.22
- to be retained as undivided net profit	1,157,890,000.00

Management Board of ING Bank Śląski S.A.



Enclosure with Supervisory Board Resolution of 12 March 2021

**Report of the Supervisory Board on the results of assessment of the annual financial statements of ING Bank Śląski S.A. for 2020.**

Pursuant to Article 382 §3 of the Commercial Companies and Partnerships Code of 15 September 2000 and having reviewed the annual 2020 financial statements of ING Bank Śląski S.A. and also the report of the independent statutory auditor from the audit of the separate financial statements for the financial year ended 31 December 2020, drawn up by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., the ING Bank Śląski S.A. Supervisory Board:

1. state that the 2020 financial statements of ING Bank Śląski SA. as presented by the Bank Management Board were developed correctly in all material aspects and present fairly and clearly the property and financial standing of the Company as at 31 December 2020 as well as the financial result and cash flows for the accounting period from 1 January to 31 December 2020, in line with relevant and applicable regulations on financial statements, and comply with the ledgers, documents and the state of affairs,
2. having regard to the above, resolve to recommend that the General Meeting approve the 2020 annual financial statements of ING Bank Śląski S.A., and
3. present this Report on the results of assessment to the General Meeting of ING Bank Śląski S.A.

Antoni F. Reczek  
Chairman of the Supervisory Board  
of ING Bank Śląski S.A.

Warsaw, 12 March 2021



Enclosure with Supervisory Board Resolution of 12 March 2021

**Report of the Supervisory Board on the results of assessment of:**

- **the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020,**
- **the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020 covering the Report on Operations of ING Bank Śląski S.A., including the Management Board statement on the application of corporate governance rules,**
- **the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A.**

Pursuant to Article 382 §3 of the Commercial Companies and Partnerships Code of 15 September 2000 and in conjunction with Article 63c. of the Accounting Act of 29 September 1994, and having reviewed the 2020 annual consolidated financial statements of ING Bank Śląski S.A. Group and the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020 covering the Report on Operations of ING Bank Śląski S.A. including the Management Board statement on the application of corporate governance rules, as well as the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A., and also the report of the independent statutory auditor from the audit of the consolidated financial statements for the financial year ended 31 December 2020, drawn up by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k., the ING Bank Śląski S.A. Supervisory Board:

1. state that the 2020 consolidated financial statements of ING Bank Śląski SA. Group were developed correctly in all material aspects and present fairly and clearly the property and financial standing of the Group as at 31 December 2020 as well as the financial result and cash flows for the accounting period from 1 January to 31 December 2020, in line with relevant and applicable regulations on financial statements and comply with the ledgers, documents and the state of affairs,
2. state that the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020 covering the Report on Operations of ING Bank Śląski S.A., including the Management Board statement on the application of corporate governance rules, provides for significant information about the property and financial standing of ING Bank Śląski S.A. and its Group as at 31 December 2020, including the assessment of performance, indication of risk factors and description of threats, and that it was developed in line with effective regulations on reports on operations and that it complies with the ledgers, documents and the state of affairs,
3. state that the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A., satisfies the disclosure requirements for non-financial information as per the Accounting Act,
4. having regard to the above, resolve to recommend that the General Meeting approve the annual consolidated financial statements of ING Bank Śląski S.A. Group and the Management Board Report on Operations of ING Bank Śląski S.A. Group in 2020, covering the Report on Operations of ING Bank Śląski S.A., including the Management Board statement on the application of corporate





ING Bank Śląski S.A.

- governance rules, as well as the Report on non-financial information of ING Bank Śląski S.A. Group for 2020, including non-financial information of ING Bank Śląski S.A., and
5. present this Report on the results of assessment to the General Meeting of ING Bank Śląski S.A.

Antoni F. Reczek  
Chairman of the Supervisory Board  
of ING Bank Śląski S.A.

Warsaw, 12 March 2021



## Notice of change of the auditing firm authorised to audit the financial statements

Pursuant to Article 22.6 of the *Corporate Governance Rules for Supervised Institutions*, the Supervisory Board hereby give notice that 2020 saw a change to the auditing firm authorised to audit the 2020-2021 financial statements of ING Bank Śląski S.A. ("Bank") and of the Bank Group.

Following the proposal sent by Mazars Audyt Sp. z o.o. ("Mazars"), on 17 June 2020, there was terminated - by mutual consent of the Parties thereto - the agreement of 13 November 2019 with Mazars ("the Agreement") providing for:

- the review of the interim separate and consolidated financial statements of the Bank and Bank Group for the periods from 1 January 2020 to 30 June 2020 and from 1 January 2021 to 30 June 2021,
- the statutory audit of the separate and consolidated financial statements of the Bank and Bank Group for 2020-2021, and
- the review of the interim and consolidated financial information.

The Agreement was terminated due to the risk of qualification of the services provided in 2020 by a company from the network of Mazars to a branch of ING Bank N.V. (the parent company of the Bank) as prohibited under Article 5 of Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities. In consequence, in conjunction with Article 66.6. of the Accounting Act, conducting of the statutory audit of the 2020 financial statements of the Bank and Bank Group by Mazars would bear the invalidity risk. The aforesaid circumstances and the resultant termination of the Agreement occurred before performance of the reviews and statutory audits covered by the Agreement by Mazars.

On the part of the Bank, the decision to terminate the Agreement was taken by the Bank Management Board, based on the recommendation of the Audit Committee and a positive opinion of the Bank Supervisory Board.

On 31 July 2020, the Bank entered into an agreement concerning the reviews of interim financial statements and the audit of the financial statements with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp. k. The agreement covers the years of 2020-2022.

Antoni F. Reczek  
Chairman of the Supervisory Board  
of ING Bank Śląski S.A.

Warsaw, 12 March 2021



Enclosure with Supervisory Board Resolution of 12 March 2021

**Report of the Supervisory Board on the results of assessment of the Management Board motion regarding distribution of profit earned by the Bank in 2020 and past-year undivided profit.**

Pursuant to Article 382 §3 of the Commercial Companies and Partnerships Code of 15 September 2000, the ING Bank Śląski S.A. Supervisory Board:

1. having reviewed the Management Board motion regarding distribution of profit earned by the Bank in 2020 and past-year undivided profit, do not raise any objections thereto and resolve to recommend that the General Meeting pass a resolution as per the Management Board motion, and
2. present this Report on the results of assessment to the General Meeting of ING Bank Śląski S.A.

Antoni F. Reczek  
Chairman of the Supervisory Board  
of ING Bank Śląski S.A.

Warsaw, 12 March 2021





## Supervisory Board's Assessment of ING Bank Śląski S.A. Group Operations in 2020

The coronavirus pandemic and related sanitary restrictions have led to the first since 1991 downturn in Poland's GDP. According to the Central Statistical Office (GUS), in 2020 Poland's GDP fell in real terms by 2.7% y/y, whereas a year earlier it went up by 4.5%. Despite the decline, its scale in 2020 was about 1/3 of that from the beginning of the transformation period (then, GDP fell by 7% y/y) and about 1/2 of what was indicated by estimates made in the spring during the first wave of the pandemic. In 2020, there was a drop by 3.0% y/y in private consumption and a decline by 8.4% y/y in investments. Economic upturn in Poland was strongly stabilised by net export. Its contribution to GDP growth in 2020 was positive (+1.0 p.p. ) and was related, among others, to a strong improvement in global manufacturing in the second half of 2020. This was the result of an economic upturn in Asia and a shift in household demand from unavailable services to durable goods. This was conducive to a faster rebound in exports and industrial value added in the second half of 2020. Just as in other countries, also in Poland the economy supported by the huge fiscal package (6.5% of GDP) steadily adjusted to administrative constraints. The autumn wave of COVID-19 was marked with a sharp increase in the number of coronavirus patients compared to the spring wave, but as the ING Economic Freeze Index indicated, the associated restrictions were 1/4-1/2 less onerous in Poland, and the q/q decline in GDP in Q4 2020 was only about 1/13 of that in Q2 2020 (-0.7% q/q vs. -9% q/q).

Despite a much worse economy, average annual inflation in 2020 accelerated to 3.4% y/y from 2.3% y/y in 2019. This is a consequence of an almost 5% y/y increase in energy prices and a strong acceleration in core inflation pace (to 3.9% y/y from 2.0% in 2019). The increase in core inflation resulted from a strong increase in the price of services (up 6.9% y/y), including wastes collection, health-related services, communications and the cost of financial services. Despite all that, after their initial reaction to the pandemic shock and cutting rates three times, the Monetary Policy Council has kept the rates at historically low levels since May (reference rate 0.1%). The economy was additionally supported by the Monetary Policy Council by launching a programme to buy back bonds issued and guaranteed by the State Treasury. In 2020, NBP bought back bonds worth approximately 4.6% of Poland's GDP. Last year, the volatility of the Polish zloty was affected by global factors and the NBP's currency interventions, which began in December 2020. EUR/PLN rate as at the yearend was 4.61 whereas at the end of 2019 it was 4.26.

Undoubtedly, it was the COVID-19 pandemic that had the strongest and multidimensional impact on the banking sector in 2020, outcome of the government's protective measures included. The sector had to face a threefold reduction in interest rates in the first half of the year, a rocketing increase in deposits of corporate customer at the end of the second quarter and the beginning of the third quarter, or the increased volatility and unpredictability of financial markets. At this point, we should also mention the further increase in the sector's regulatory costs, including most of all the costs of the Bank Guarantee Fund, which in 2020 increased by 14% y/y.



Furthermore, the banking sector's old problem concerning mortgage loans extended in foreign currency, and in particular in Swiss franc, still remains unresolved. Following the ruling of the European Court of Justice (CJEU) in October 2019, the number of litigations in the sector has increased rapidly. This is one of the reasons why, in December 2020, the Chair of the KNF presented a proposal to solve this problem by concluding the so-called voluntary settlements by and between the customer and the bank whereby a foreign currency loan would be converted into a PLN one. The calculation of losses for the bank (resulting from partial principal forgiveness offered to the client) assumes conversion of the loan agreement and repayments made by the borrower as if the loan had been granted in PLN from the very beginning. According to the KNF data, such solutions may cost the banking sector around PLN 35 billion. In addition, some banks still experience the negative consequences of the CJEU's ruling of September 2019 on early repaid consumer loans - before the contractual due date, making provisions for historical exposures repaid before the date of the ruling itself.

Despite so many negative factors affecting the Polish economy and the banking sector in 2020, ING Bank Śląski S.A. Group generated net profit of PLN 1,337.6 million, a significantly lower decrease than the result of the entire sector, namely -19% for ING Bank Śląski Group compared to -44% for the sector. This lower net profit in ING Bank Śląski Group results mainly from a significantly higher risk cost within the Group, up 40% y/y to PLN 804.6 million - mostly due to the revision of the macroeconomic assumptions used in the provisioning models (the effect of PLN 242.5 million), and additional provisioning for the legal risk attributable to FX mortgage loans of PLN 270.3 million compared to PLN 31.2 million in 2019. As a consequence thereof, the provision coverage ratio for loans and other receivables in Stage 3 went up y/y by 6.6 p.p. to 60.7%; and the FX mortgages coverage by legal risk provisions is the highest in the sector and it is 33.6% as at the end of 2020. It is worth emphasizing that the Group's operating result before cost of risk went up by 5% y/y to PLN 3,468.2 million, even despite so many negative trends in the sector. Result on core activities increased by 7% y/y, mainly due to a significant improvement in commission income by 14% y/y. On the other hand, the Group's general and administrative expenses went up by 11% y/y, including regulatory costs (BFG and KNF) up by 38% and own costs by 8% y/y. Finally, as a consequence of the increase in balance sheet total (+18% y/y), the cost related to the so-called bank tax was also higher (+11% y/y).

The Supervisory Board exercises oversight over the Company's operations by keeping watch over the Company's adherence to the relevant regulations in the area of accounting, finance and reporting of public companies. The powers of the Supervisory Board also include supervision of the individual risk management processes at ING Bank Śląski S.A. with the support of the Risk Committee and Audit Committee. Based on the recommendations of those Committees, the Supervisory Board accepts and approves the business risk management strategy of the Bank, the key principles of the policy and the

related risk appetite. Further, the Supervisory Board monitors the utilisation of internal limits vis-à-vis the current strategy of the Bank.

The Risk Committee supports the Supervisory Board in monitoring the risk management process, including operational risk, liquidity risk, credit risk and market risk. The Committee also supervises the risk management process as well as the assessment of internal capital, capital adequacy, and of the risk of capital-related models and other models. The Committee voices its opinion about the overall readiness of the Bank to take the risk in the current and long term perspective.

Monitoring of the financial reporting process is among the tasks of the Audit Committee. In this context, the Audit Committee periodically analyses the Bank financial statements and the results of their audit. Further, the Chairman of the Audit Committee – who is the Chairman of the Supervisory Board and an independent member of the Board at the same time – holds periodic meetings with the Vice-President of the Management Board in charge of the CFO Division during which the Chairman is updated on the interim financial results of the Bank prior to their publication. The Audit Committee also analyses the performance of works by the entity authorised to audit financial statements, safeguarding its independence and effectiveness. Furthermore, the Audit Committee monitors the effectiveness of internal control and internal audit systems, and also assesses the effectiveness of measures used to mitigate the compliance risk and the said risk management quality.

There was also established the Remuneration and Nomination Committee within the Supervisory Board, which monitors i.a. the situation of the labour market in the context of salaries, the employee turnover process, and also staff satisfaction survey results. The Committee regularly monitors the remuneration system of the Bank, the payroll and bonus policy included. In 2020, the Committee conducted a re-assessment of the suitability of the members of the Supervisory Board (including collective suitability) and, in connection with changes to the Supervisory Board, an assessment of the suitability of new members of the Supervisory Board. The Committee also carried out an assessment of the suitability of the Management Board members appointed for a new term of office (including collective suitability) based on the results of the suitability assessment carried out by an external entity. Furthermore, the Committee carried out a suitability assessment and decided to recommend to the Supervisory Board the appointment of new Management Board Members in charge of the Wholesale Banking Division and the Business Clients Division. The Committee also assessed the collective suitability of the Management Board, the newly appointed Management Board Members included.

In the opinion of the Supervisory Board, the risk management system at the ING Bank Śląski S.A. Group covers all material risks. Moreover, the instruments and techniques used to identify, measure, manage and report risks are adequate for a given risk type. In 2020, ING Bank Śląski S.A. satisfied all the requirements of sound business operations and capital adequacy, and in particular the Bank:

- pursued prudent lending policy. The lending processes and procedures were compliant with the regulatory requirements and best practices on the market. In 2020, the Bank took account of the

economic situation in its lending policy and applied more restrictive procedures towards sectors characterised by increased risk. The Bank's lending portfolio was diversified with a significant share of high-quality loans granted to business entities. Within the Bank Group, credit receivables in Stage 3 represented 3.3% of the total gross exposure (measured at amortised cost), which is significantly less than the average for the entire banking sector (6.5%);

- had systems and procedures in the market risk management area (for interest rate or currency risk, among others) that meet the top market standards. Throughout 2020, individual market risk categories were managed actively so that their levels were within the limits effective at the Bank. The balance sheet structure of the Bank is balanced from the currency perspective; its distinctive feature is the low share of FX receivables in the total mortgage receivables, among other things;
- maintained good liquidity. As at 2020 yearend, the LtD ratio settled at 82.6%. The sound liquidity position of the Group is attributable to one of the largest among Polish banks (and still growing) stable household deposits base;
- had an adequate level of own funds meeting supervisory requirements. In December 2020, the total capital ratio of the ING Bank Śląski S.A. Group was 18.72%, while the Tier 1 ratio stood at 16.09%.

Furthermore, the internal control system used by the Bank is effective enough to secure the Bank against unexpected developments in terms of the financing granted, non-financial risk, market risk, liquidity or capital adequacy.

Despite an expected dynamic rebound in the pace of economic growth and increasing COVID-19 vaccination rates, 2021 is still greatly affected by pandemic developments in Poland and worldwide. This is why, the Supervisory Board is of the opinion that the Bank should continue to focus on the actions enhancing its own security, security of its employees and customers as well as actions ensuring availability and competitiveness of products and customer experience, such as:

- adequate capital management in order to ensure safe lending growth as well as fulfilment of all present and future regulatory requirements;
- further development of the product offer and electronic distribution channels. In the time of ongoing pandemic and stiff competition, it is possible to increase revenues by expanding the customer base through acquiring new customers and increasing loyalty of the existing ones. Such an approach boosts customer balances and transactions' volumes;
- increase of lending capabilities, while being prudent when assessing clients' risk. That will foster keeping high quality of the portfolio and boost net interest income;
- maintenance of adequate stable deposits. It will ensure liquidity indispensable to develop lending;
- further improvement of cost effectiveness while maintaining high quality of processes through optimal use of existing resources and benefits resulting from the increased scale of operations.

According to the Supervisory Board, the strategy pursued by the Bank over the last few years to increase the scale of its operations proved to be successful which is reflected in the achieved financial and

commercial results. The hitherto success of the strategy justifies the intention of its continuation by the Bank in the coming year while maintaining the appropriate level of capital.

Enclosure with Supervisory Board Resolution  
of 12 March 2021

**Report of the ING Bank Śląski S.A. Supervisory Board  
on Their Operations for 2020**

Pursuant to Article 382 §1 of the Commercial Companies and Partnerships Code and the provisions of the Best Practice for WSE Listed Companies, the ING Bank Śląski S.A. Supervisory Board herewith submit to the Ordinary General Meeting the *Report of the ING Bank Śląski S.A. Supervisory Board on Their Operations for 2020*.

**I. Legal basis of the functioning of the Supervisory Board at ING Bank Śląski S.A.**

The ING Bank Śląski S.A. Supervisory Board operate pursuant to the Banking Law, the Commercial Companies and Partnerships Code, the Bank Charter and the Supervisory Board Bylaw. Pursuant to §19.5 of the ING Bank Śląski S.A. Charter, Supervisory Board Members shall be appointed for the joint term of office which shall commence as of the appointment date and shall last for the full four consecutive financial years. The current term of office started on 29 March 2019 and will expire as at the date at which the General Meeting approve the financial statements for 2023.

**II. Composition of the Supervisory Board at ING Bank Śląski S.A., division of functions, and changes on the Supervisory Board during the financial year**

2020 saw the following changes on the Supervisory Board:

On 27 February 2020, Mr Ad Kas tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, effective as of the date of the General Meeting approving the 2019 financial statements, due to the appointment to the acting Vice-President of the Management Board responsible for the Risk Division for ING France. The resignation of Mr Ad Kas entailed a change to the composition of the Risk Committee which he was the member of.

On 3 March 2020, Mr Norman Tambach tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, effective as of the date of the General Meeting approving the 2019 financial statements. Mr Norman Tambach did not substantiate his resignation. The resignation of Mr Norman Tambach entailed a change to the composition of the Audit Committee which he was the member of.

On 2 April 2020, the General Meeting appointed Ms Susan Poot and Mr Remco Nieland as the Supervisory Board Members, effective as of 1 May 2020. The new Members have ties with the ING Group.



As at 31.12.2020, the Supervisory Board worked in the following composition:

<b>Antoni F. Reczek</b>	-	<b>Chairman (independent Member)</b>
<b>Małgorzata Kołakowska</b>	-	<b>Deputy Chair</b>
<b>Aleksander Galos</b>	-	<b>Secretary (independent member)</b>
<b>Aleksander Kutela</b>	-	<b>Member (independent member)</b>
<b>Remco Nieland</b>	-	<b>Member</b>
<b>Susan Poot</b>	-	<b>Member</b>
<b>Michał Szczurek</b>	-	<b>Member</b>

Pursuant to Chapter III (1) of the *Policy for the Assessment of the Suitability of the Members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.*, the Supervisory Board Remuneration and Nomination Committee together with a third party, EY Doradztwo Podatkowe Krupa Sp.k., conducted an individual assessment of the candidates for the Supervisory Board Members and a collective assessment of the Supervisory Board and concluded that the competences of the individual members of the Supervisory Board were complementary and allowed for ensuring adequate level of collective performance of supervision duties in respect of all business areas of the Bank. The relevant recommendation of the Remuneration and Nomination Committee was published on the Bank's website before the date of the General Meeting.

### **III. Compliance with the *Principles of Corporate Governance for Supervised Institutions and Best Practice for WSE Listed Companies.***

The Supervisory Body fulfil their tasks pursuant to a special authorisation granted under the *Company Charter and the Supervisory Board Bylaw* as well as the requirements of the *Principles of Corporate Governance for Supervised Institutions and the Best Practice for WSE Listed Companies.*

As per the *Best Practice for WSE Listed Companies*, the criteria of independence are satisfied by the requisite number of Board Members. According to the statements filed by the Members of the Supervisory Board, three (3) out of seven (7) Members of the Supervisory Board meet the independence criteria. Those are: the Supervisory Board Chairman – Mr Antoni F. Reczek, the Supervisory Board Secretary – Mr Aleksander Galos and Mr Aleksander Kutela who is a Member of the Supervisory Board. The other Members, namely: Ms Małgorzata Kołakowska, Mr Remco Nieland, Ms Susan Poot and Mr Michał Szczurek have ties with ING Bank N.V., the strategic shareholder of the Bank.

In keeping with the Bank's practice, the independent members file each year a statement to confirm that they have no relationship with the Bank, its shareholders, or employees that could have significant impact on their ability to make impartial decisions. Furthermore, Members are required to notify the Bank immediately of occurrence of any circumstances impacting their independence. On 2 April 2020, that is on the day of the Ordinary General Meeting of Bank, the independent members re-submitted such statements. Therefore, the Board confirmed that there were neither ties nor circumstances which would compromise the satisfaction of independence criteria by the Board Members. Their status has not changed ever since. Professional resumes of all the Supervisory Board Members, including their



functions on the Supervisory Board Committees, have been published on the Bank's website. Short personal bios of Board Members with their individual competencies have been given below. Furthermore, on the Bank's website, there are annotations on filing independence statements or statements on ties with ING Bank N.V. There is also the information on compliance with the requirements under Article 22aa of the Polish Banking Law Act. In keeping with the Best Practice for WSE Listed Companies, there is also an update on the share of men and women in the Management Board and Supervisory Board of ING Bank Śląski S.A. on the Bank's website.

Pursuant to the self-assessment of the Supervisory Board in H1 2020, the Supervisory Board confirm that the number of members is sufficient for and adequate to the nature and to the scale of the Bank's operations. At the same time, the Supervisory Board are of the opinion that the diversified composition of the Supervisory Board and the fact that members stem from various circles and demonstrate diverse skills, practical experience and expertise ensures efficient oversight and warrants due performance of duties and responsibilities entrusted thereto.

#### **IV. Competency Profiles of Supervisory Board Members**

Supervisory Board Members have high qualifications. All Members have the relevant experience and knowledge that enable them to exercise oversight of the Bank. Five out of seven Board Members are Polish and they speak Polish fluently. The new Board Members, appointed in 2020, were onboarded in keeping with the *Induction and Training Policy for ING Bank Śląski S.A. Supervisory Board and Management Board Members and Key Function Holders*, adopted by the Supervisory Board.

Short personal bios of Board Members showing their individual competencies have been given below.

##### **Mr Antoni F. Reczek**

##### **Supervisory Board Chairman, Audit Committee Chairman, Risk Committee Chairman**

Has Master's degree in Economics after graduating from the Strathclyde University, Glasgow, Scotland. Chartered Accountant (C.A.) of the Institute of Chartered Accountants of Scotland since 1983. Since 1993 has been the Chartered Auditor of the Republic of Poland, which is the confirmation of his knowledge and competence in the area of financial auditing, as required under Article 129.1 of the Act on Statutory Auditors, Auditing Firms and Public Oversight of 11 May 2017. For nearly twenty years of his professional career he was working for PricewaterhouseCoopers Sp. z o.o. In 2008-2011, he was Member of the Council of the Polish Chamber of Certified Auditors. Since 2014 he has been the Member and Chairman of the ING Supervisory Board.

##### **Ms Małgorzata Kołakowska**

##### **Supervisory Board Deputy Chair, Remuneration and Nomination Committee Member, Audit Committee Member**

Graduated from the Faculty of International Trade Economics and Organisation at the Main School of Planning and Statistics (at present Warsaw School of Economics). In 2014, she completed the Advanced Management Program (AMP) at the Harvard Business School. From February 2010 to March 2016, she was the President of the Management Board of ING Bank Śląski S.A. Since 2018 she has been



the CEO of ING Bank NV, London Branch (the United Kingdom, Middle East). Before joining ING, she was the Director at the European Bank of Reconstruction and Development and McDonald's Poland.

**Mr Aleksander Galos**

**Supervisory Board Secretary, Risk Committee Chairman, Remuneration and Nomination Committee Member, Audit Committee Member**

Holds a Law degree. In 1984, he graduated from the School of Law and Administration of the Jagiellonian University in Kraków. Legal Counsel since 1994. In 2009, he completed with diploma post-graduate studies in Management at the Warsaw School of Economics. In 2009-2010, he studied at the Warsaw School of Economics – post-graduate studies in Accounting (without diploma). He was member of the Supervisory Board of Bank PKO BP S.A. and Bank Zachodni WBK S.A. for example. Since 2014 he has been the Member and Secretary of the ING Bank Śląski S.A. Supervisory Board. At present, he is Partner at the Kocharński Zięba i Partnerzy Law Firm

**Mr Aleksander Kutela**

**Supervisory Board Member, Remuneration and Nomination Committee Chairman, Audit Committee Member, Risk Committee Member**

Master of Economics after graduating from the Faculty of International Business and Politics at the University of Economics, Kraków. In 2005, he completed the General Management Program at the Harvard Business School. In 2002-2015, he was the President of the Management Board of HBO Polska and in 2015-2018 the CEO of the Onet.pl S.A. Group. Since 2014 he has been the member of the ING Bank Śląski S.A. Supervisory Board. At present, he is working for Ringier Axel Springer Polska.

**Mr Remco Nieland**

**Supervisory Board Member, Audit Committee Member**

Graduated from the Faculty of Business Economics at the Vrije Universiteit Amsterdam. Chartered Controller since 1992, after completing post-graduate studies at Vrije Universiteit, Amsterdam. He has been working at ING Group since the formative years of his career. He was Head Global Financial Reporting, Commercial Banking International for example. At present, he is the Group CFO for Challengers & Growth Markets.

**Ms Susan Poot**

**Supervisory Board Member, Risk Committee Member**

Graduated from the Faculty of Business Economics at the University Amsterdam. In 2007, she completed the Executive Banking programme at Insead, Fontainebleau. She has been working at ING Group since the formative years of her career. She was Global Head Financial Institutions Lending and Global Head Credit Restructuring for example. At present, she is ING Group CRO for Challengers & Growth Markets.

**Mr Michał Szczurek**

**Supervisory Board Member, Risk Committee Member**

Master of Science, Economic Sciences, after completing a joint programme of Warsaw University and Columbia University. Has Master's degree, Faculty of Law and Administration, Warsaw University and





Master's degree, Department of Computer Sciences, Faculty of Electronics, University of Warsaw. He has been working at ING Group since the formative years of his career. He was the Vice-President of the Management Board in charge of finance and investment policy of the pension fund Nationale-Nederlanden Polska PTE S.A. and the Vice-President of the Management Board of ING Bank Śląski supervising the Retail Banking Division and the CEO of ING Bank, Romania, for example. At present, he is Head of Challengers & Growth Markets (C&G), ING Asia.

The above details have been summarised in the table below.

INDEPENDENCE CRITERION AND COMPETENCIES		Satisfies the criterion of independence as per the Act on Statutory Auditors, Auditing Firms and Public Oversight	Knowledge of and competency in accounting or financial statements auditing, confirmed with the qualifications of the chartered auditor		Has knowledge of and competency in the banking area
			satisfies the criterion	qualifications	
	Antoni F. Reczek	yes	yes	Chartered Accountant in Scotland and Poland	yes
	Małgorzata Kołakowska	no	no		yes
	Aleksander Galos	yes	yes		yes
	Aleksander Kutela	yes	yes		yes
	Remco Nieland	no	yes	Chartered Controller in the Netherlands	yes
	Susan Poot	no	no		yes
	Michał Szczurek	no	no		yes



## V. Form and manner of oversight. Number and frequency of the Supervisory Board meetings. Number of resolutions passed by the Supervisory Board

The Supervisory Board works according to a meetings schedule and a framework plan of work. The Board debates analysing the company situation versus the sector and the market, based on the materials submitted by the company management board and those coming from internal systems and functions of the company as well as those attained from exterior sources, also taking advantage of the works of its committees. In particular, the Supervisory Board provides advice on the company strategy and verifies the performance of the management board as far as preset strategic goals are concerned. Further, the Board monitors the results of the company.

In 2020, meeting agendas included ongoing business matters, submissions made by the Bank Management Board as well as any other material issues that required attention of the Supervisory Board. Updates on the impact of the coronavirus pandemic on the Bank's business also were among the regular agenda items. The Supervisory Board exercised oversight of the Bank's operations primarily during the meetings and took the required decisions in the form of resolutions. During the meetings, the Members of the Supervisory Board are joined by Members of the Management Board as well as the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and other invited guests who give presentations on specific topics within their competence.

In 2020, Supervisory Board Members devoted sufficient time to performance of their duties. Between 1 January and 31 December 2020, the Supervisory Board met nine times at the following dates: 30 January, 6 March, 2 April, 15 May, 5 June, 30 June, 25 September, 20 November and 18 December. Due to the outbreak of the coronavirus pandemic in Q1 2020, since April the meetings took the form of videoconferences/online meetings. In total, the Supervisory Board adopted 121 resolutions, including 24 passed by way of circulation. All the meetings were quorate and held in line with the procedures so that binding resolutions could be taken; the attendance rate during the meetings was very high.

Attendance of the Supervisory Board Members in 2020 has been shown in the table below.

	<b>Attendance in 2020*</b>
<b>Antoni F. Reczek</b>	<b>9/9</b>
<b>Małgorzata Kołakowska</b>	<b>6/9</b>
<b>Aleksander Galos</b>	<b>9/9</b>
<b>Aleksander Kutela</b>	<b>7/9</b>
<b>Remco Nieland</b>	<b>6/6**</b>



<b>Susan Poot</b>	<b>6/6**</b>
<b>Michał Szczurek</b>	<b>8/9</b>

\* Meeting attendance / Number of meetings during the term of office.

\*\* New Supervisory Board Members attended all six Supervisory Board meetings which were held from the date of their appointment; i.e. 1 May 2020.

In addition to regular meetings, the Members of the Supervisory Board stayed in regular and direct contact with the Bank Management Board and took an active part in all the material matters concerning the Company business. The Chairman of the Supervisory Board (who also chairs the Audit Committee) held regular meetings with the Bank CFO to discuss the Bank's financial statements prior to their publication.

A detailed description of the actions taken by the Supervisory Board in 2020 is presented in the minutes from the Supervisory Board meetings; the minutes and the resolutions passed by the Supervisory Board are kept at the Company's registered office.

Additionally, Members of the Supervisory Board attended internal training sessions held by the Bank. These were interactive workshops on the situation of banks and trends in banking and the financial market in the era of digitalization and workshops on the internal control system at the Bank. Independent Board Members were involved in the selection process of a new suitability assessment provider for the Members of the Supervisory Board, Management Board and key function holders at the Bank. Selected Board Members met with the inspectors of the Polish Financial Supervision Authority during the PFSA inspection at the Bank.

## **VI. Agenda of the Supervisory Board Meetings**

In 2020, the Supervisory Board exercised ongoing oversight over the Company operations and kept watch over the Company adherence to the relevant regulations in the area of accounting, finance and reporting of public companies. The works of the Supervisory Board proceeded smoothly, with all members taking an active part in them.

During the meetings, the Supervisory Board reviewed the matters required under the Commercial Companies and Partnerships Code as well as the matters relating to the day-to-day operations of the Company. The Supervisory Board received extensive reports from the Bank Management Board regarding the current financial standing of the Bank, its functioning, action plans and all the material developments that may have an impact on its functioning.

In the course of works in Q1 2020, the Supervisory Board developed and submitted to the Ordinary General Meeting: the requisite report on the evaluation of the Bank's standing, including the assessment of the internal control system, risk management system, compliance and the internal audit function, and also the Board's report on their operations. Furthermore, the Board submitted to



the Ordinary General Meeting the assessment on satisfaction of corporate governance-related disclosure duties by the Bank and assessment of the rationality of the Bank's policy concerning sponsorship and charity initiatives. In 2020, the Supervisory Board reviewed and made a positive opinion for the General Meeting on the draft resolutions of the Ordinary General Meeting convened on 2 April 2020.

Further, due to the expiry of the term of office of the Bank Management Board, on 2 April 2020, the Supervisory Board appointed Mr Brunon Bartkiewicz as the President of the ING Bank Śląski S.A. Management Board as well as the Management Board for a new term of office.

The topics discussed by the Board in 2020 have been detailed below. Those topics were also discussed by the Supervisory Board Committees (within their remit) who gave their recommendations and opinions for the Supervisory Board.

1) Finance, including:

- approval of the Bank Strategy and MTP for 2020-2022 and continuous oversight of the implementation of the approved financial plan,
- the report on the results of review of the annual financial statements of ING Bank Śląski for 2019, Reports of the ING Bank Śląski S.A. Management Board on Bank's Operations in 2019 and review of the Bank Management Board motion regarding distribution of the profit earned by the Bank in 2019,
- the report on the results of review of the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2019 and the Bank Management Board's Report on the Operations of the ING Bank Śląski S.A. Group for 2019,
- approval of amendments to the *Capital Management Policy at ING Bank Śląski S.A.*,
- approval of the 2019 ING Bank Śląski S.A. ICAAP Report,
- approval of amendments to the *Dividend Policy of the Bank*,
- approval of the updated Recovery Plan for ING Bank Śląski S.A.,
- the Management Board's update on related-party agreements,
- regular update of the Management Board on the operations of the of ING Bank Śląski S.A. Brokerage Office,
- regular report on capital investments as required by the *ING Bank Śląski S.A. Equity Investment and Corporate Governance Policy*,
- annual report on the supervision system in custody operations, and
- annual report on performance by the Bank of the duties of issue or placement of financial instruments and recommendation, offering or other provision of financial instruments for acquisition or take-up by the clients of the Retail Banking Division, Wholesale Banking and Business Clients Divisions.

2) Internal audit at the Bank, including:

- approval of the Report on the status of the 2019 audit plan delivery and the status and changes in due dates of audit issue closure,
- approval of the Annual Report on delivery of the objectives, mission and strategy including



- internal control system and risk management system assessment for 2019,
  - approval of the Report on the results of quality assurance and improvement process within internal audit function for 2019,
  - approval of the revised 2020 Audit Plan,
  - approval of the revised *Policy – the Audit Charter*,
  - approval of the Report on the audit of the principles of remunerating the persons holding managerial positions having material impact on the risk profile of (“Identified Staff”) at ING Bank Śląski S.A.,
  - approval of the Report on the status of the 2020 audit plan delivery and the status and changes in due dates of audit issue closure plus regular updates,
  - approval of the Audit Strategy Memorandum (ASM) including long-term planning for the years 2021-2023 and the 2021 Audit Plan, and
  - approval of the Report on the review of the headcount level and structure, job description and remuneration for the Internal Audit Department.
- 3) Compliance at the Bank, including:
- approval of amendments to the *Compliance Policy of ING Bank Śląski S.A.* and introduction of a new *Bylaw of the Centre of Expertise – Compliance*,
  - appointment of the Centre of Expertise Lead II – Compliance, Chief Compliance Officer,
  - approval of the Report on the review of the headcount level and structure, job description and remuneration for the Centre of Expertise – Compliance.
  - update on the implementation of the Annual Compliance Plan,
  - regular updates from the compliance risk area at the Bank, and
  - regular updates on the Know Your Customer area at the Bank.
- 4) Monitoring the efficiency of the risk management system at the Bank, including non-financial risk and compliance risk, including:
- approval of the high-level RAS parameters for 2020 and of their increase,
  - adoption of the Non-financial Risk Appetite Statement of the Bank for 2020 (as amended), and oversight of its implementation,
  - approval of the ING Bank Śląski S.A. ILAAP Review Report for 2019,
  - approval of amendments to the *Policy – Internal Control System at ING Bank Śląski S.A.*,
  - approval of the criteria for assessing the effectiveness and adequacy of the Internal Control System,
  - approval of the Report on fulfilment of the internal control system tasks for 2019,
  - approval of amendments to the *General Principles of Credit, Market, Liquidity and Funding and Operational Risk Management and Mitigation in ING Bank Śląski S.A.*,
  - consent to conclusion of significant agreements by the Bank,
  - approval of amendments to the *ING Bank Śląski S.A. Operational Risk Management Policy*, and
  - update on the reports submitted to the parent entity by CRO Division units.



- 5) Relations with the external auditor, including:
- selection of the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group,
  - approval of amendments to the *Policy on selection of the auditing firm to audit the financial statements, assessment of its independence and provision of other permitted services at ING Bank Śląski S.A.*, and
  - approval of the revised *Manual – Rules of conduct in the process of disclosure and exchange of data and information between participants of the financial statements audit and supervision process at ING Bank Śląski S.A.*,
- 6) Monitoring and supervising the HR and payroll area at the Bank, including:
- approval of amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and Variable Components of Remuneration of ING Bank Śląski S.A.*,
  - approval of amendments to the *Variable Remuneration Policy of Identified Staff of ING Bank Śląski S.A.*,
  - assessment of the 2019 performance of the Members of the Bank Management Board and setting KPIs for 2020,
  - approval of amendments to the *Policy for the Assessment of the Suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.*,
  - approval of the Internal Audit Department's Report on the audit of the process of remunerating the persons holding managerial positions having material impact on the risk profile of ("Identified Staff") at the Bank,
  - advising on amendments to the *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy due to the revision of the Act on Public Offering*,
  - approval of amendments to the *ING Bank Śląski S.A. Group Remuneration Policy*,
  - approval of amendments to the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*,
  - approval of amendments to the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.*,
  - approval of amendments to the *List of qualitative and quantitative criteria and the additional criteria qualifying staff members to be included in the 2020 List of Identified Staff of ING Bank Śląski S.A.*,
  - approval of the Report regarding the implementation of the pay policy in relation to the internal audit employees and the Internal Audit Director,
  - approval of the Report regarding the implementation of the pay policy in relation to the employees and Lead II of the Centre of Expertise – Compliance,
  - approval of the remuneration packages of people holding control functions at the Bank,
  - consent to holding functions at external institutions by Bank Management Board Members,
  - suitability assessment and appointment of Mr Michał H. Mrozek as a new Bank Management Board Member – the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the Wholesale Banking Division,
  - acceptance of resignation of Mr Michał Bolesławski from the capacity of the Vice-President of



- the ING Bank Śląski S.A. Management Board responsible for supervision over of the Business Clients Division,
  - acceptance of resignation of Mr Lorenzo Tassan-Bassut from the capacity of the Vice-President of the ING Bank Śląski S.A. Management Board responsible for supervision over of the COO Division,
  - suitability assessment and appointment of Ms Ewa Łuniewska as a new Bank Management Board Member – the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the Business Clients Division,
  - update regarding payroll policy at the Bank in 2020, and
  - approval of the succession review for the positions of the Management Board Members.
- 7) Implementation of the recommendations issued by the Polish Financial Supervision Authority:
- review of the schedule of works regarding the implementation of post-inspection recommendations of the Polish Financial Supervision Authority,
  - monitoring of the implementation of the action plan for the post-inspection recommendations issued by the Polish Financial Supervision Authority,
  - update on the implementation of the General Data Protection Regulation (GDPR) requirements by the Bank,
  - bancassurance policy implementation under Recommendation U,
  - report on the Bank Clients' complaints and client voice, and
  - update on satisfaction of disclosure duties by the Bank in 2020.
- 8) Bank governance area:
- approval of amendments to the Bylaws of the Supervisory Board and their committees,
  - approval of amendments to the ING Bank Śląski S.A. Management Board Bylaw,
  - approval of the amendments to the ING Bank Śląski S.A. Organisational Bylaw and periodical amendments to Enclosure No. 2 therewith,
  - approval of the 2021 Outline Work Plan of the Supervisory Board,
  - regular updates on the actions taken by the Bank in response to the coronavirus pandemic, and
  - annual Management Board's update on the main changes within the Bank's organisational framework.

## VII. Self-assessment of the Supervisory Board's Work in 2020.

In 2020, the Supervisory Board assisted and advised the Management Board on all the matters pertaining to the Bank and its business. The Supervisory Board monitored the implementation of the Bank's strategy on an ongoing basis.

The Supervisory Board confirm that they have exercised regular and ongoing supervision over the Bank's business throughout 2020 in accordance with their powers and the legal requirements concerning joint-stock companies. The Supervisory Board Members are well prepared to exercise all



the statutory and Charter-defined rights and duties and perform their tasks properly, ensuring adequate supervision over the Bank in all material aspects of its operations. All Members of the Supervisory Board exercised their duties with due care, while taking advantage of their knowledge and experience in terms of supervising a joint-stock company. The Supervisory Board consider their operations in 2020 to have been effective and in keeping with the best market standards.

Members of the Supervisory Board performed their responsibilities in an honest and reliable manner. All meetings were held with a very attendance rate. Board Members were able to devote sufficient time to performing their duties. Acting in the company's interest, Board Members followed their independent opinions and judgements in their actions. In that manner, the Board was able to assess and verify the way of taking and implementing decisions connected with day-to-day management of the Bank in an effective manner.

The cooperation with the Bank Management Board was very good; the Management Board provided the required information in a clear, reliable and exhaustive manner. The Supervisory Board would like to thank the Management Board for the successful implementation of the strategy in 2020.

Bearing in mind the fact that 2020 was domineered by uncertainty and unpredictability of market conditions, as driven by the coronavirus pandemic, the Board would like to express deep appreciation for the actions taken by the Management Board not only to ensure further development of the Bank, but also for the society and local communities. The Supervisory Board would like to thank the Management Board for the appropriate approach to client experience under the circumstances, constant care about employees, and those affected by the pandemic in particular, and a proactive approach of the Management Board, and thus of the entire Bank, to important social matters. Further, the Board would like to thank Bank employees for their effort and engagement in such a difficult period.

Keeping in mind the Bank's results and overall performance, the Supervisory Board request that the General Meeting acknowledge the fulfilment of duties by the members of the Bank's bodies in 2020.





### **Report of the Supervisory Board Committees on Their Operations in 2020**

In order to ensure support for the Supervisory Board in exercising their powers, the Supervisory Board established from their Members three committees: the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee.

The Committees perform consulting and advisory functions by preparing recommendations for the Supervisory Board; the Committee chairmen give reports from the Committee work during the Supervisory Board meetings.

The composition of individual Committees as at 2020 yearend has been given below.

<b>Audit Committee</b>	<b>Remuneration and Nomination Committee</b>	<b>Risk Committee</b>
Antoni F. Reczek	Aleksander Kutela	Aleksander Galos
Małgorzata Kołakowska	Małgorzata Kołakowska	Aleksander Kutela
Aleksander Galos	Aleksander Galos	Susan Poot
Aleksander Kutela		Antoni F. Reczek
Remco Nieland		Michał Szczurek

#### **Audit Committee**

The Audit Committee of the Supervisory Board of ING Bank Śląski S.A., hereinafter referred to as the Audit Committee or the Committee, perform consultation and advisory functions for the Supervisory Board, and also deliver on other tasks under the law, instructions and recommendations of the regulator. The Audit Committee support the Supervisory Board with regard to monitoring the financial reporting, monitoring and supervising the internal- and external audit and the management system at the Bank and its subsidiaries.

#### **I. Composition of the ING Bank Śląski S.A. Audit Committee and changes on the Committee during the financial year**

From 1 January 2020 to 30 April 2020, the Audit Committee worked in the following composition:

<b>Antoni F. Reczek</b>	-	<b>Chairman (independent Member)</b>
<b>Małgorzata Kołakowska</b>	-	<b>Member</b>
<b>Aleksander Galos</b>	-	<b>Member (independent member)</b>
<b>Aleksander Kutela</b>	-	<b>Member (independent member)</b>
<b>Norman Tambach</b>	-	<b>Member</b>

2020 saw the following changes on the Audit Committee:



On 3 March 2020, Mr Norman Tambach tendered his resignation from the capacity as the Supervisory Board Member, and thus the Audit Committee Member, effective as of the date of the General Meeting approving the 2019 financial statements. Mr Norman Tambach did not substantiate his resignation.

On 2 April 2020, the Supervisory Board appointed Mr Remco Nieland who has ties with ING Group as Member of the Committee as of 1 May 2020.

Hence, since 1 May 2020, the composition of the Audit Committee was as follows:

<b>Antoni F. Reczek</b>	-	<b>Chairman (independent Member)</b>
<b>Małgorzata Kołakowska</b>	-	<b>Member</b>
<b>Aleksander Galos</b>	-	<b>Member (independent member)</b>
<b>Aleksander Kutela</b>	-	<b>Member (independent member)</b>
<b>Remco Nieland</b>	-	<b>Member</b>

As required under the Statutory Auditors Act of 11 May 2017, the majority of the Committee members, the Committee Chairman included, satisfy the independence criteria. The Committee members have the knowledge and experience in accounting or financial auditing, with Mr Antoni Reczek having the licence of the statutory auditor and Mr Remco Nieland having the licence of the chartered controller.

## **II. Number and frequency of the Audit Committee meetings. Number of recommendations passed by the Committee**

The Audit Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations and issuing relevant opinions. During the meetings, the Committee members are joined by members of the Management Board, the Heads of the Internal Audit Department and Centre of Expertise – Compliance, the Accounting Department Director – Chief Accountant, the Operational Risk Management Department Director, and also representatives of the auditing firm.

Between 1 January and 31 December 2020, the Audit Committee met six times at the following dates: 30 January, 5 February, 6 March, 5 June, 25 September and 20 November.

In line with the requirements of the Bylaw of the Audit Committee, on 20 November 2020 the Audit Committee also held a closed meeting with the representatives of the external and internal auditors.

The Audit Committee issued 23 recommendations for the Supervisory Board in total (including 1 by way of circulation) as well as 1 letter of advice by way of circulation and 2 decisions. All the meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

Attendance of the Audit Committee Members in 2020 has been shown in the table below.



	<b>Attendance in 2020*</b>
<b>Antoni F. Reczek</b>	<b>7/7</b>
<b>Małgorzata Kołakowska</b>	<b>7/7</b>
<b>Aleksander Galos</b>	<b>6/7</b>
<b>Aleksander Kutela</b>	<b>5/7</b>
<b>Remco Nieland</b>	<b>4/4**</b>

\* Meeting attendance / Number of meetings during the term of office.

\*\* A new Audit Committee Member attended all four Committee meetings which were held from the date of his appointment; i.e. 1 May 2020.

### III. Agenda of the Audit Committee Meetings

In 2020, the Committee focused *inter alia* on the following areas:

- monitoring of the adequacy and effectiveness of the internal control system and risk management system, including compliance risk,
- development and submission to the Supervisory Board of recommendations on amendments to the policy on selection of the auditing firm to audit the financial statements and the policy concerning provision of permitted services other than audit by entities related with that auditing firm and by the member of the auditing firm network,
- determination of the scope of works of the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group, after selection of the authorised entity by the Supervisory Board,
- supervision of the Bank's relationship with the entity auditing the financial statements of the Bank, including analysis of the work performed by the entity authorised to audit the financial statements and audit results as well as Management Letter assumptions,
- assessment of the annual financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group,
- analysis of the information and materials provided from time to time by the external auditor and presentations of the external auditor delivered for the Audit Committee Members directly at Committee meetings,
- regular analysis of periodical reports from the Director of the Internal Audit Department on the status of the annual audit plan 2020 delivery and the status and changes in due dates of audit issue closure,
- development and submission to the Supervisory Board of recommendations on amendments to the *Policy – the Audit Charter*,

As part of their work, the Committee concluded that both the Internal Audit Department and the



external auditor were able to perform their tasks in an independent and impartial manner. Therefore, the Committee confirm that they do not have any reservations about the independent audit process at the Bank.

Other areas of the Audit Committee works in 2020 included but were not limited to:

- assessment and submission of a recommendation on the dividend policy,
- monitoring of the Bank's relationship with related entities, including analysis of periodical information on agreements with related entities,
- supervision of compliance area at the Bank, including development and submission to the Supervisory Board of recommendations on amendments to the *Compliance Policy of ING Bank Śląski S.A.* and introduction of a new *Bylaw of the Centre of Expertise – Compliance*,
- regular analysis of periodical reports – the quarterly compliance risk report,
- analysis of a list of critical- and high-risk recommendations,
- analysis of information on financial and regulatory reporting and control environment for reporting.

Furthermore, following the publication on 24 December 2019 by the Polish Financial Supervision Authority Office of *Good practices for public interest entities concerning the rules of establishment, composition and functioning of the audit committee*, the Audit Committee reviewed the document at the first meeting on 30 January 2020.

Taking into account its provisions concerning the activities in the areas of:

- monitoring of the financial reporting process,
  - monitoring of effectiveness of internal control systems, internal audit as well as risk management,
  - monitoring and financial revision,
  - as well as control and monitoring of independence of the statutory auditor and the auditing firm, notably, when the auditing firm provides the public interest entity with non-audit services,
- in the course of their works in 2020, based on the information and documents provided by the Bank Management Board as well as analyses during the sessions, the Audit Committee made assessment of risk of the processes and areas under monitoring. Committee's assessment did not differ from that of the Management Board. No areas were identified for which the activities taken by the Management Board would be inadequate to the situation of the Bank, market requirements or regulatory recommendations. The areas of particular focus of the Committee were: compliance, model risk, IT and outsourcing.

### **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee support the Supervisory Board with regard to the monitoring and supervision of the HR and payroll area, including, in particular, succession plans, employee-turnover processes, employee satisfaction surveys as well as the remunerating and rewarding policy.

In keeping with the EBA Guidelines concerning the proper remuneration policy referred to in Article 74



section 3 and Article 75 section 2 of Directive 2013/36/EU as well as disclosing information in accordance with Article 450 of EU Regulation No 575/2013 (Chapter 4, Title I, item 2.4.1 (50)), the majority of the Committee members, including its chairman, are independent members.

#### **I. Composition of the ING Bank Śląski S.A. Remuneration and Nomination Committee and changes on the Committee during the financial year**

From 1 January 2020 to 31 December 2020, the Remuneration and Nomination Committee worked in the following composition:

<b>Aleksander Kutela</b>	–	<b>Chairman (independent member)</b>
<b>Małgorzata Kołakowska</b>	–	<b>Member</b>
<b>Aleksander Galos</b>	–	<b>Member (independent member)</b>

There were no changes on the Remuneration and Nomination Committee in 2020.

#### **II. Number and frequency of the Remuneration and Nomination Committee meetings. Number of recommendations passed by the Committee**

The Remuneration and Nomination Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations and issuing relevant opinions. The CEO, the Bank Executive Director in charge of the Centre of Expertise – HR and the Director of the Centre of Expertise for personnel matters attend the Committee meetings on a regular basis.

Between 1 January to 31 December 2020, the Remuneration and Nomination Committee met ten times. The meetings of the Remuneration and Nomination Committee were held at the following dates: 30 January, 6 March, 27 March, 2 April, 15 May, 5 June, 25 September, 12 November, 20 November and 18 December.

The Committee issued 41 recommendations in total (including 2 by way of circulation) and 4 letters of advice for the Supervisory Board, including 1 by way of circulation. Furthermore, the Committee made 1 assessment and 2 decisions.

Attendance of the Remuneration and Nomination Committee Members in 2020 has been shown in the table below.



	Attendance in 2020*
<b>Aleksander Kutela</b>	<b>9/10</b>
<b>Małgorzata Kołakowska</b>	<b>9/10</b>
<b>Aleksander Galos</b>	<b>10/10</b>

\* Meeting attendance / Number of meetings during the term of office.

### III. Agenda of the Remuneration and Nomination Committee Meetings

In 2020, the Committee focused *inter alia* on the following areas:

- active supervision of the process of suitability assessment for the members of the Supervisory Board, Management Board and key function holders at the Bank,
- monitoring of adequacy and effectiveness of the Bank's policy in the employment area, including development and submission to the Supervisory Board of recommendations on the following documents:
  - *Policy for the Assessment of the Suitability of the Members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.,*
  - *List of qualitative and quantitative criteria and the additional criteria for qualifying Staff Members to be included in the ING Bank Śląski S.A. List of Identified Staff for 2020,*
- supervision of the recruitment process for the Bank Management Board Member due to changes on the Management Board,
- issue of opinions on the recruitment process for the Bank Management Board Member,
- determination of the target representation of the underrepresented gender on the Bank Management Board in line with the *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members,*
- succession review for the positions of the Management Board Members,
- monitoring of adequacy and effectiveness of the Bank's policy in the payroll area, including development and submission to the Supervisory Board of recommendations on the following documents:
  - *Variable Remuneration Policy of Identified Staff of ING Bank Śląski S.A.,*
  - *ING Bank Śląski S.A. Group Remuneration Policy,*
  - *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,*
  - *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.,*
- analysis of the pay policy/practice assumptions in 2020,
- assessment of the 2019 performance of the Members of the Bank Management Board and setting KPIs for 2020,
- development and submission to the Supervisory Board of recommendations on the Report regarding the implementation of the pay policy in relation to the internal audit employees and the



Internal Audit Director,

- development and submission to the Supervisory Board of recommendations on the Report regarding the implementation of the pay policy in relation to the employees and Lead II of the Centre of Expertise – Compliance,
- analysis of proposals of remuneration packages of people holding control functions at the Bank, submitted by the Management Board, and
- analysis of the results of the remuneration review based on the Hay Group report.

Other areas of the Remuneration and Nomination Committee works in 2020 included but were not limited to:

- analysis of the results of the organisation health survey (the OHI survey), made among the ING Bank Śląski S.A. staff as well as post-OHI survey priorities and measures,
- update on the on-boarding and training process for new Management Board Members as required under the *Induction and Training Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members*,
- report from the audit of the remuneration process for identified staff in ING Bank Śląski S.A., and
- update on the status of the bonus scheme change for Identified Staff of ING Bank Śląski S.A.

Due to the expiry of the term of office of the Bank Management Board, the Committee assessed the suitability of individual Management Board Members, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the Supervisory Board appoint the Management Board for a new term of office on 2 April 2020.

Further, due to the changes on the Management Board during the year, the Committee also assessed the suitability of candidates for the Management Board, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the Supervisory Board should appoint a new Management Board Member – the Vice-President of the Bank Management Board responsible for the Wholesale Banking Division and a new Management Board Member – the Vice-President of the Bank Management Board responsible for the Business Clients Division. The Committee also made collective assessments of the Management Board, considering the new Management Board Members, on an as needed basis.

In compliance with the applicable regulations and due to the changes on the Supervisory Board, the Committee also assessed the suitability of current Supervisory Board Members and candidates for the Supervisory Board, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the General Meeting appoint two new Supervisory Board Members: Ms Susan Poot and Mr Remco Nieland, effective as of 1 May 2020.

### **Risk Committee**

The Risk Committee is to support the Supervisory Board in the oversight of the business risk management strategy implementation by the senior management staff.



## I. Composition of the Risk Committee at ING Bank Śląski S.A. and changes on the Committee during the financial year

From 1 January 2020 to 30 April 2020, the Risk Committee worked in the following composition:

<b>Aleksander Galos</b>	–	<b>Chairman (independent member)</b>
<b>Ad Kas</b>	–	<b>Member</b>
<b>Aleksander Kutela</b>	–	<b>Member (independent member)</b>
<b>Antoni F. Reczek</b>	–	<b>Member (independent member)</b>
<b>Michał Szczurek</b>	–	<b>Member</b>

2020 saw the following changes on the Risk Committee:

On 27 February 2020, Mr Ad Kas tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, and thus from the capacity of the Risk Committee Member, effective as of the date of the General Meeting approving the 2019 financial statements, due to the appointment to the acting Vice-President of the Management Board responsible for the Risk Division for ING France.

On 2 April 2020, the Supervisory Board appointed Ms Susan Poot who has ties with ING Group as Member of the Committee as of 1 May 2020.

Hence, since 1 May 2020, the composition of the Risk Committee was as follows:

<b>Aleksander Galos</b>	–	<b>Chairman (independent member)</b>
<b>Aleksander Kutela</b>	–	<b>Member (independent member)</b>
<b>Susan Poot</b>	–	<b>Member</b>
<b>Antoni F. Reczek</b>	–	<b>Member (independent member)</b>
<b>Michał Szczurek</b>	–	<b>Member</b>

## II. Number and frequency of the Risk Committee meetings. Number of recommendations passed by the Committee

The Risk Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations. During the meetings, the Members of the Committee are joined by Members of the Management Board, as well as the Bank Executive Director - Risk Policy, Modelling and Reporting, Market Risk Management Department Director, Operational Risk Management Department Director, as well as the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and also representatives of the auditing firm.

Between 1 January and 31 December 2020, the Risk Committee met four times. The meetings of the Committee were held at the following dates: 6 March, 5 June, 25 September and 20 November.

The Committee issued 23 recommendations in total (including 14 by way of circulation). All the





meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

Attendance of the Risk Committee Members in 2020 has been shown in the table below.

	Attendance in 2020*
<b>Aleksander Galos</b>	4/4
<b>Aleksander Kutela</b>	3/4
<b>Antoni F. Reczek</b>	4/4
<b>Susan Poot</b>	3/3**
<b>Michał Szczurek</b>	4/4

\* Meeting attendance / Number of meetings during the term of office.

\*\* A new Risk Committee Member attended all three Committee meetings which were held from the date of her appointment; i.e. 1 May 2020.

### III. Agenda of the Risk Committee Meetings

As part of the risk monitoring process at the Bank, the Risk Report was a regular item on the Risk Committee agenda in 2020. The Report is structured into the reports from the credit risk, market risk, operational (non-financial) risk and model risk areas. Information about the coronavirus pandemic risk and credit holiday instruments formed a material element of the discussed report.

In 2020, the Committee focused *inter alia* on the following areas:

- development and submission to the Supervisory Board of recommendations on the following documents:
  - Risk Management Strategy for the years 2020-2022,
  - *Capital Management Policy at ING Bank Śląski S.A.*,
  - *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and Variable Components of Remuneration of ING Bank Śląski S.A.*,
  - *ING Bank Śląski S.A. Operational Risk Management Policy*,
- development and submission to the Supervisory Board of recommendations on High Level Risk Appetite Statement Limits for the retail and corporate credit risk areas and the Non-Financial Risk Appetite Statement,
- development and submission to the Supervisory Board of recommendations regarding the types of agreements made by the Bank that, in the Committee's view, should be classified as having a material impact on the financial- and legal standing of the Bank,
- analysis of the 2019 ING Bank Śląski S.A. ICAAP Report,



- analysis of the ING Bank Śląski S.A. ILAAP Review Report for 2019.

The Supervisory Board is content with the performance of the committees. The in-depth analyses made by the committees for the matters discussed as well as the recommendations and opinions submitted to the Board are of enormous added value. The Chairman of the Board would like to thank the Committees for their engagement, availability of their members during the year as well as their readiness to review urgent matters by way of circulation between standard sessions.



**The report on the evaluation of the payroll policy  
at ING Bank Śląski S.A. in 2020**

The remuneration policy at ING Bank Śląski S.A. is evaluated on the basis of item 28.3 of the *Principles of Corporate Governance for Supervised Institutions*.

Since 1 January 2017 the *ING Bank Śląski S.A. Group Remuneration Policy* has been in force at the Bank. The document lays down the key assumptions for shaping the remuneration policy so as to attract and retain employees by ensuring the remuneration that is competitive versus the market. It also defines individual remuneration components. The Policy was updated twice in 2020. The document was amended with resolutions of the ING Bank Śląski S.A. Supervisory Board taken at the sessions on 5 June 2020 and 20 November 2020, after positive recommendations of the ING Bank Śląski S.A. Supervisory Board Remuneration and Nomination Committee.

In 2020, the regulations governing the remuneration for the Supervisory Board and Management Board Members were amended as well. With the Act on amending the Act on Public Offering and Terms and Conditions of Introduction of Financial Instruments into the Organised Trading and on Public Companies and Certain Other Acts of 16 October 2019, new requirements for the approach to the Remuneration policy for Supervisory Board and Management Board Members were introduced. In response to the statutory amendments, a new *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy* was drafted. The Policy was adopted with Resolution No. 29 of the General Meeting of ING Bank Śląski S.A. of 2 April 2020. At the same time, the Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A., which specifies in detail the principles of the Policy, was upheld.

All things considered, ING Bank Śląski S.A. has the following remuneration policy regulations:

- 1) ING Bank Śląski S.A. Group Remuneration Policy,
- 2) Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,
- 3) ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy,
- 4) Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.
- 5) General Conditions of Remunerating the Employees of ING Bank Śląski S.A. with enclosures:
  - General Conditions of ING Bank Śląski S.A. Employee Evaluation (Step Up), and
  - General Conditions of ING Bank Śląski S.A. Identified Staff Evaluation.

**I. RULES OF SHAPING THE REMUNERATION POLICY AT ING BANK ŚLĄSKI S.A.**

1. The remuneration policy is based on performance management, and it:
  - 1) supports delivery of the business strategy and long-term interests of the Bank and its clients,
  - 2) supports proper and effective risk management in order to maintain and protect the sound capital base of the Bank; the Policy does not promote excessive risk taking beyond the risk appetite approved by the Supervisory Board of ING Bank Śląski S.A., and



- 3) it is gender neutral, which means that it does not create conditions for any gender to be favoured in an unjustified manner with regard to terms and conditions of remuneration.
2. The remuneration policy is consistent with the sustainability strategy adopted for a given period by the Bank. It also supports the corporate social responsibility, the fact which is reflected in the individual objectives set for staff for a given year. At the same time, the Policy does not support the activities which are not compatible with the sustainable growth.
3. The remuneration policy serves ensuring that remuneration-related conflicts of interest are identified and adequately limited. One of the elements of the variable remuneration award process are appropriate risk mitigating measures, i.e. a multi-level approval process as well as clear and transparent principles of objective setting and performance evaluation, which are communicated to all employees.
4. ING Bank Śląski S.A. does not provide for any form of remuneration that could be an incentive for employees to favour their own interests or interests of the Bank while at the same time acting to the detriment of clients.
5. The principles of remunerating persons acting on behalf of the Bank do not constitute an incentive to take excessive risk of misselling.
6. The remuneration depends on the scope of tasks and the level of responsibility as provided for in the job description which is valued in accordance with the Hay Group methodology.
7. The Bank reviews the level of remuneration every year. Market data – payroll reports and business and economic information – are analysed. The decision on the amount of the employee's salary rise is taken, first and foremost, based on the place of his or her base remuneration in the salary brackets within a given salary grade and the year-end evaluation outcome.
8. The remuneration system is overt and transparent. Its principles are communicated to all Bank employees.
9. For the remuneration of the Supervisory Board and Management Board Members, the policy agrees with the values and long-term interest of ING Bank Śląski S.A., and thus contributes to effective risk management at the Bank and stable standing of the company. At the same time, the policy supports sustainable growth of the Bank, which is understood as activities taken in all domains of significance for the society and economy and the responsibility for and care about the effects of those activities. It is an inherent element of the business strategy. The said objectives are accomplished notably by:
  - 1) introduction of variable remuneration for Management Board Members; its final amount depends on results of the Bank,
  - 2) tying of remuneration of the Members of the Management Board and the Supervisory Board to average remuneration of other Bank employees,
  - 3) making the payout of variable remuneration components to Management Board Members conditional on the satisfaction of specific capital requirements by the Bank,
  - 4) inclusion in the non-financial objectives set annually by the Supervisory Board for Management Board Members of the criteria arising from the adopted Sustainability Strategy.

Details of remuneration of ING Bank Śląski S.A. Supervisory Board and Management Board Members can be found in the Report compiled as per Article 90g of the Act on Public Offering and Terms and Conditions of Introduction of Financial Instruments into the Organised Trading and on Public Companies.



## II. REMUNERATION COMPONENTS

1. The total remuneration is divided into fixed and variable remuneration.
2. Fixed remuneration is such a large part of the total remuneration that it allows one to pursue a fully flexible policy of variable remuneration components, including the option of reducing or not granting any variable remuneration at all.
3. Variable remuneration encompasses any and all forms of remuneration and other benefits provided in return for achieved results.

Variable remuneration encompasses the annual bonus which is set per employee, based on the evaluation of balanced and risk-matching results, considering the quantitative and qualitative criteria. As part of the variable remuneration, employees may also be awarded an individual cash reward, the aim of which is to recognize and appreciate the employees with extraordinary achievements at work and demonstrating particular potential.

4. Separate rules of variable remuneration, laid down in the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*, apply to the group of employees holding managerial positions having material impact on the risk profile of the Bank (Identified Staff). The Policy defines the components of variable remuneration that may be awarded to Identified Staff and the principles of that remuneration payout.

The most important ones include:

- a) financial and non-financial criteria as well as risk-adjusted criteria are used to assess individual performance; non-financial criteria should account for at least 50% of all goals, save for the persons responsible for control functions,
  - b) financial criteria are not used for the persons responsible for control functions. The goals for those persons stem from the functions held by them and they are not tied to the performance of the areas controlled by them,
  - c) a deferral of a part of variable remuneration, which is settled in three instalments during the period of work performance verification, to assess the impact of employee actions on the Bank's long-term results,
  - d) allocation of a part of variable remuneration (at least 50%) in phantom stock, entitling to receive cash conditional upon the price of ING Bank Śląski S.A. shares,
  - e) with a view to ensuring long-term stability of ING Bank Śląski S.A. and tying further the risk management minimum standards to individual remuneration, since 2019 the Bank has a *Procedure regarding risk requirements for key function holders at the Bank*. The Procedure enables the Management Board Member responsible for the risk area (the CRO) to take a decision to apply a risk modifier for variable remuneration. Following the requirements, all employees holding key functions at the Bank receive written information providing for the specific risk requirements for a given calendar year. After the end of the year, satisfaction of risk requirements is assessed and the assessment result may reduce the variable remuneration of the employee, should risk requirements not be satisfied.
5. Fringe benefits provided under the Bank's remuneration policy:
    - a) healthcare – Bank employees are provided with basic healthcare, dental care included, and the option of using family packages which need an extra payment,
    - b) Employee Pension Programme – as part of the programme, the Bank enables employees to jointly and voluntarily accumulate extra funds for pension,



- c) life insurance – Bank employees have life insurance which covers employee death, employee death due to an accident and a serious illness co-funded by the Bank – it is a new solution introduced in 2021,
- d) company cars – a company car is awarded to an employee due to the employee's position in the organisational framework and scope of responsibilities, and
- e) benefits awarded to employees under the *Cafeteria Plan General Terms and Conditions*.

### III. SUPERVISION OVER REMUNERATION POLICY

1. Compliance with the remuneration policy at the Bank is supervised by the following bodies:
  - 1) General Meeting
    - a. evaluate annually whether or not the remuneration policy established is conducive to the development and safety of the Bank's business,
    - b. pass amendments to the ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy, and
    - c. provide opinion on the remuneration of the Members of the Management Board and the Supervisory Board.
  - 2) ING Bank Śląski S.A. Supervisory Board
    - a. approve the ING Bank Śląski S.A. Group Remuneration Policy and the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,
    - b. supervise compliance with the aforesaid Policies, and
    - c. develop and submit to the General Meeting the report on the evaluation of the remuneration policy at the Bank and the report on the remuneration of Supervisory Board and Management Board Members.
  - 3) The ING Bank Śląski S.A. Supervisory Board Remuneration and Nomination Committee monitor the implementation of the Policy.
  - 4) Control functions actively participate and cooperate in the review of the Bank's remuneration policy to ensure its coherence with the risk management strategy and framework. Control functions also assess correctness of the capital base and fulfilment of conditions necessary for the bonus pool disbursement.
2. The Polish Financial Supervision Authority supervise the compliance of the Bank's activity with the regulations concerning the variable remuneration components policy.

### IV. REPORT ON THE EVALUATION OF THE REMUNERATION POLICY AT THE BANK IN 2020

1. The remuneration policy at the Bank complies with the Bank's strategy, values and risk appetite as well as it supports the long-term interests of the Bank and its clients. Furthermore, it promotes and supports the process of effective risk management in order to maintain and protect the sound capital base of the Bank. It does not promote excessive risk-taking behaviour that is beyond the risk propensity accepted by the Supervisory Board of the Bank and it is based on performance management combining individual goals with the long-term business strategy and ensuring sustainable growth.
2. In 2020, the goals of the remuneration policy remained unchanged vis-à-vis the previous year. ING Bank Śląski S.A. kept its remuneration policy whose aim is to effectively support the strategic goals and systematically mark the pays to the market.



The specific situation of the year 2020, which was marked by the Covid-19 pandemic, did not interfere with the planned exercise of base salary increase. The Remuneration and Nomination Committee was updated on the level of market salaries vis-à-vis the salaries of the employees of ING Bank Śląski S.A. The update was prepared on the basis of the Hay Group reports. Bearing in mind the results of the payroll review, the Bank Management Board decided to implement a pay rise exercise since April 2020. Pay rises were awarded both automatically and on a discretionary basis.

In accordance with the market practice, on 1 April 2020, we increased our salary increase capacity by changing considerably the maximum levels of pay brackets in nearly all pay grades.

3. 2020 was another year of functioning of the annual Step Up goals settlement system, which intuitively combines job performance assessment, creation of a solid corporate culture and our ambitions. We have tied the Step Up system with bonus payout for employees. In February 2020, we paid out bonus to Bank employees from the specific provision.

In March 2020, the bonus for Identified Staff was settled in accordance with the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*:

- a) variable remuneration for 2019 was set and the non-deferred portion of the bonus was awarded, and
- b) following a positive verification of the assessment with consideration of ex-post risk and capital test, the Bank awarded the relevant portions of deferred variable remuneration for 2016 and 2017.

The base terms and conditions of variable remuneration disbursement were satisfied. The Remuneration and Nomination Committee gave positive advice and, in consequence, the non-deferred 2019 bonus and the deferred bonuses for 2016 and 2017 were paid out to the Identified Staff. Thus, the 2016 bonus was settled in 100 per cent.

4. Due to the epidemic situation, in 2020 we attached much significance to the additional benefits aimed at making employees feel more safe and secure. We showed our concern by introducing in 2020 a new benefit – life insurance. This benefit provides for partial payment of the insurance premium by the Bank. Apart from the benefits laid down under item c), the premium paid by the employer enables employees to use the “Pandemic under control” insurance for one year. Insurance covers preventive assistance for the quarantine period and Covid-19 post-hospitalisation assistance. Employees can still use other insurance options under the offer paid on their own. The self-paid insurance offer was expanded with the modules enabling employees to choose their preferred insurance. The new insurance options were introduced in 2021.
5. In 2020, the Remuneration and Nomination Committee of ING Bank Śląski S.A. held 10 regular meetings and 3 by way of circulation.
6. From 29 May to 23 June 2020, the Internal Audit Department conducted the Audit of management of evaluation, remuneration, development and training at ING Bank Śląski S.A. The audit sought to assess the design and operating effectiveness of key internal controls in the evaluation, remuneration, development and training management processes.

In line with the Internal Audit Department’s opinion, for evaluation and remuneration management, the HR defined and maintains the remuneration, evaluation, development and training framework which is adequate for ING Bank Śląski S.A, and which supports delivery of its business purposes. Policies are complete and up to date. They are reviewed and documented from time to time. Evaluation process management has been implemented; process rules and performance indicators are communicated to employees. Employees are informed about the process of their performance evaluation. The process is documented. The Bank also has a path to be used by employees if they want to appeal from the evaluation score.



The audit function did not identify any material risks in the areas being audited. Based on the medium-risk observations formulated during the audit, the HR implemented additional control measures – new procedures for monitoring compliance of the positions given to employees with the Job Classification Table and monitoring the actions of the First Line of Defence in the objective setting area of the Step up process.

The internal audit unit also audited the process of remuneration of persons having material impact on the risk profile of ING Bank Śląski S.A. in 2020 and the application of the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.* The audit function did not identify any material risks in the areas being audited, and thus confirmed that the control mechanisms for the process of remunerating the Identified Staff was adequate and effective.

**The Supervisory Board are of the view that in 2020 the Bank respected the principles of its remuneration policy.**





## **Report on remunerations of the Supervisory Board and Management Board Members of ING Bank Śląski S.A. for the years 2019 and 2020**

This report was drafted pursuant to the Act of 29 July 2005 on Public Offering and on the Terms of Introducing Financial Instruments into Organized Trading and on Public Companies (as amended) which introduced the duty to prepare annual reports on the remuneration of the Management Board and of the Supervisory Board, and to have that report assessed by the statutory auditor. The structure and the scope of the report derive explicitly from Article 90g(2) of the said Act.

### **I. INTRODUCTION**

- 1) In 2019, the issues related to the remuneration of the Supervisory Board and Management Board Members were regulated in two separate documents:
  - 1) the *ING Bank Śląski S.A. Supervisory Board Members Remuneration Policy*, and
  - 2) the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.*
- 2) The Act of 16 October 2019 Amending the Act on Public Offering and on the Terms of Introducing Financial Instruments into Organized Trading and on Public Companies and Certain Other Act introduced new requirements regarding the approach to the remuneration policy of supervisory board and management board members. As a consequence, we prepared the *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy* in response to the statutory changes introduced. The Policy was adopted by way of ING Bank Śląski S.A. General Meeting Resolution No. 29 of 2 April 2020. At the same time, the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.* has remained in effect and it specifies the rules set out in the *Policy* in greater detail.
- 3) As regards the remuneration of other employees, the *ING Bank Śląski S.A. Group Employees Remuneration Policy* has been in effect since 1 January 2017. The document sets out the key assumptions of the remuneration policy applied in order to attract and retain employees by ensuring a salaries level that is competitive on the market, and it defines the remuneration components. Detailed principles arising from the *Policy* are specified in greater detail by:
  - 1) *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*,
  - 2) *ING Bank Śląski S.A. Employees Remuneration Bylaw* including enclosures thereto:
    - a) *ING Bank Śląski S.A. Employee Evaluation Bylaw (Step Up)*,
    - b) *ING Bank Śląski S.A. Identified Staff Evaluation Bylaw*.



## II. TOTAL REMUNERATION OF THE BANK GOVERNING BODIES' MEMBERS

Pursuant to Article 90g Section 2 Item 1 of the Act, we disclose the amount of the total remuneration sub-divided into components referred to in Article 90d Section 3 Item 1, and the proportions of those remuneration components. At the same time, we account for the provisions of Section 5, whereby where the remuneration of the management board and of the supervisory board members includes cash payments or non-monetary benefits awarded to close ones of those persons, the report on remuneration should include information on the value of those benefits.

### 1. Structure of the Supervisory Board Members' remuneration

Due to the supervisory function of the Supervisory Board, the Supervisory Board members are only awarded **fixed remuneration** that is not conditional on the Bank's performance. The fixed remuneration of the Supervisory Board Members consists of the base remuneration for the membership of the Supervisory Board and a monthly allowance for each additional function held by the Supervisory Board members on the Supervisory Board or its committees, which is set as a percentage of the base salary and which is as follows:

- a. Chairperson of the Supervisory Board – 100%,
- b. Deputy Chairperson of and Secretary to the Supervisory Board and Members who are Chairpersons of the Supervisory Board Committees – 25%,
- c. Members other than Chairpersons of the Supervisory Board Committees – 15%.

### 2. Structure of the Management Board members' remuneration

The total remuneration is set out in the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.* It consists of fixed remuneration and variable remuneration, or the annual bonus. Fixed remuneration is composed of:

- a. the **base remuneration** which is determined in conjunction with a benchmark according to a selected job valuation methodology, based on a role description in reference to the knowledge, challenges, issues and responsibilities in a given position, as well as the professional experience.

The terms of remuneration of the Management Board Members are determined upon taking into account the market data, including the median for comparable positions at comparable organisations, and upon accounting for the Bank's operations and its financial situation.

- b. **fringe benefits**, which comprise:
  - life insurance,
  - a mutual fund,
  - medical care,
  - a company car,
  - benefits related to termination of the employment contract,



- in justified cases the Supervisory Board may, upon the Committee's recommendation, decide to cover, temporarily, additional costs related to a long-term foreign contract of a Management Board Member, such as the costs of accommodation or education of the Management Board Member's children.
    - c. **variable remuneration**, i.e. the annual bonus awarded by the Supervisory Board in the amount of up to 100% of base remuneration for a given period, upon accounting for bonus thresholds. The bonus is deferred for four years from the date on which the Supervisory Board determined the variable remuneration (in case of the President of the Management Board, the deferral period is six years). The annual non-deferred and deferred annual bonus is sub-divided into two parts (rounded up to the total number of financial instruments):
      - at least 50% in phantom equity which entitles the holder to receive funds in an amount conditional on the value of the ING Bank Śląski S.A. shares, and
      - the remaining portion is paid out in cash.
3. A breakdown of total remuneration by components is presented in Enclosure 1 herewith.

### III. COMPLIANCE WITH THE REMUNERATION POLICY

*Pursuant to Article 90g Section 2 Item 2 of the Act, we explain how the total remuneration complies with the adopted remuneration policy and how it helps achieve the long-term performance of the company*

1. Compliance with the ING Bank Śląski S.A. Group Remuneration Policy
  - 1) The remuneration policy at ING Bank Śląski S.A. Group relies on performance management. It supports the process of attracting, motivating and retaining talented employees, and is conducive to their development, while treating all employees in a fair manner. The remuneration policy:
    - a. supports the implementation of the business strategy, as well as the long-term interests of the Bank and its clients,
    - b. supports the correct and effective risk management in order to maintain and protect a safe capital base of the Bank and it does not encourage taking excessive risks beyond the risk appetite approved by the Supervisory Board of ING Bank Śląski S.A.,
    - c. is gender-neutral which means that it does not create conditions for unjustified privilege of either gender in terms of pay conditions.
  - 2) The Bank identifies social- and environmental risks diagnosed as part of the sustainability strategy. The remuneration policy is aligned with the strategy adopted at the Bank for a given period and it supports corporate social responsibility which is reflected by the goals set for the employees for a given year. At the same time, the Policy does not promote actions that are against sustainable growth.
  - 3) The purpose of the remuneration policy is to ensure that the conflicts of interest relating to remuneration are identified and mitigated properly. The process for awarding variable remuneration involves adequate risk-mitigating actions, that is a multi-level decision-



making process as well as clear and transparent rules of performance assessment; those rules are communicated to all employees.

- 4) ING Bank Śląski S.A. does not provide for any form of remuneration that might be perceived by the employees as an incentive to favour their own interests or the Bank's interests to the detriment of the clients. The principles of remunerating persons who act on the Bank's behalf do not encourage people to take excessive risks of improper product sale.
- 5) The variable remuneration remains at an adequate proportion to the fixed remuneration. Its level vis-à-vis fixed remuneration should be high enough to encourage people to care about the long-term and stable development of the Bank. It is agreed that the fixed remuneration to variable remuneration ratio shall be 1 to 1.
- 6) As regards the fixed remuneration of the Bank Supervisory Board and Management Board Members, a rule was adopted to tie those salaries to the average remuneration of other Bank employees. The monthly fixed remuneration for the individual:
  - a. Supervisory Board members represents no more than 10-fold average base remuneration of an employee of ING Bank Śląski S.A.
  - b. Management Board members represents no more than 40-fold average base remuneration of an employee of ING Bank Śląski S.A.
- 7) The remuneration system is open and transparent, and its rules are communicated to all employees of the Bank.
- 8) In an effort to ensure a competitive level of remuneration, it follows the market median. The Bank reviews the remuneration levels on an annual basis. The analysis focuses on market data – pay reports as well as economic information.
- 9) The Supervisory Board of ING Bank Śląski S.A. approves the Remuneration Policy and oversees compliance therewith, based on the recommendations of the Remuneration and Nomination Committee of the ING Bank Śląski S.A. Supervisory Board. The review results, along with the recommendation of adequate measures in the remuneration area, are presented to the Management Board by the HR units. Based on the review results, Management Board accept the directions and changes, if any, to the remuneration policy for a given calendar year, and presents the Policy to the Remuneration and Nomination Committee for recommendation and to the Supervisory Board for approval.
- 10) Each year, the Supervisory Board draw up a report on the implementation of the remuneration policy. The General Meeting assess, based on the report, whether or not the Policy is conducive to the development and safety of the Bank's operations.
- 11) The Risk Committee verify whether or not the elements of the remuneration system account for the risk, capital and liquidity. A representative of the Risk Committee takes part in the meetings of the Remuneration and Nomination Committee and vice versa.
- 12) The General Meeting assess each year whether or not the Remuneration Policy is conducive to the development and safety of ING Bank Śląski S.A. operations.
- 13) The remuneration policy is subject to an annual independent internal audit.
- 14) The control functions and the CFO Division units take an active part and cooperate during the review of the Bank's remuneration policy with a view to ensuring its alignment with



the strategy and the risk management framework; they also assess the correctness of the capital base and the fulfilment of conditions necessary to activate the bonus pool.

## 2. Supporting the implementation of the strategy

- 1) The Supervisory Board and Management Board Members Remuneration Policy is aligned with the values and long-term interests of ING Bank Śląski S.A., and – as such – it is conducive to the effective management of the Bank's risks and to the company's stability. Furthermore, the Policy supports sustainable growth of the bank, which is understood as actions taken in areas that are meaningful for the society and for the economy, as well as responsibility for and care of the results of those actions, and which is part and parcel of the business strategy. The means to achieve those goals include the following in particular:
  - a. introducing variable remuneration components for the Management Board members the final amount of which is conditional on the Bank's performance,
  - b. making the payment of the variable remuneration components to the Management Board members dependent on the Bank's fulfillment of certain capital requirements, and
  - c. inclusion of criteria arising from the adopted Sustainable Growth Strategy in the non-financial targets which are set by the Supervisory Board for the Management Board members each year.
- 2) The *Procedure concerning Risk Requirements for Management Board Members Who Are Risk Takers* has been in effect since 2019 to ensure the long-term stability of ING Bank Śląski S.A. and further reinforcement of relations between minimum standards in the risk management area and individual remuneration.

The risk requirements apply to Management Board Members who are Risk Takers, notably:

- a. President of the Management Board – CEO Division
- b. Vice-President of the Bank Management Board – Retail Clients Division
- c. Vice-President of the Bank Management Board – Business Clients Division
- d. Vice-President of the Bank Management Board – Wholesale Banking Division
- e. Vice-President of the Management Board – CIO Division
- f. Vice-President of the Management Board – COO Division

The procedure allows the Management Board Member in charge of the risk area to make a decision to apply the variable remuneration adjustment ratio. As required, each Management Board Member who is a Risk Taker receives a written notice specifying the risk requirements for a given calendar year. An assessment of the risk requirement fulfilment is performed upon the end of the year; the result of that assessment may lower the variable remuneration of the employee if the risk requirements are not met.

- 3) Furthermore, the Management Board Members are required not to apply their own hedging strategies or insurance concerning remuneration and liability that would neutralise the measures taken by the Bank as part of implementing the policy of variable remuneration components, save for mandatory insurance arising from special provisions.



#### IV. PERFORMANCE CRITERIA

Pursuant to Article 90g Section 2 Item 3 of the Act, we provide information on the manner of applying performance criteria

Performance criteria are applied at several levels at ING Bank Śląski S.A.:

##### 1. Performance included in the targets agreed with the employee for a given year

The targets of the Management Board Members may be non-financial (e.g. qualitative ratios, customer satisfaction, process improvements, leadership, engagement or innovations) or financial (e.g. the Bank's performance or performance of a given business line, adjusted for the risk costs as appropriate). The targets of the Management Board Members who hold control functions arise from their functions and are not tied with results obtained in the areas they control. Upon the end of the assessment period, the Supervisory Board will evaluate the performance of the individual Management Board Members. The evaluation of the task performance is the basis for determining the individual level of variable remuneration.

##### 2. Risk requirements set in regard to Management Board Members other than Members holding control functions

The Management Board Member in charge of the risk area sets individual risk requirements for Management Board Members other than those holding control functions. They ensure focusing on the long-term stability of ING Bank Śląski S.A. and further reinforcement of relations between minimum standards in the risk management area and individual remuneration of the Management Board Members whose activities have a material impact on the Bank's risk profile. On the basis of the assessment of risk requirements fulfilment, the Management Board Member in charge of the risk area makes a decision on the risk ratio corresponding to the level of adjustment of variable remuneration for a given Management Board Member.

##### 3. Bank's results that are the basis for the decision to disburse the bonus pool

The annual bonus disbursement is conditional on the Bank's achieving at least 80% of the profit before tax in a given financial year subject to the assessment, as assumed in the plan for that year. The Bank's result taken into consideration accounts for the Bank's risk costs and the costs of liquidity risk in a long-term perspective, adjusted for the costs of free capital.

In addition, pursuant to the *Capital Management Policy at ING Bank Śląski S.A.*, ING Bank Śląski S.A. tests capital to ensure that the entire bonus pool for all employees does not restrain the Bank's ability to maintain an adequate capital base. Should it be the case, a decision may be taken not to disburse the bonus pool.

##### 4. Performance subject to assessment in the long-term perspective

In order to adjust the variable remuneration to the additional risks that were identified or that materialised after the remuneration was awarded, the Bank will defer the variable remuneration of the Management Board Members in accordance with the table below. It is also a rule that at least 50% of the variable remuneration of the President of the Management Board is deferred.



VARIABLE REMUNERATION AMOUNT	DEFERRAL METHOD
up to PLN 40,000	no deferral
from PLN 40,001 to EUR 0.5 million	40% subject to deferral
in excess of EUR 0.5 million*	60% subject to deferral

\* equivalent expressed in Polish zlotys according to the average exchange rate of the National Bank of Poland on 15 February of the year in which the variable remuneration is determined (or on the following day on which the exchange rate is announced)

The deferral period is four years from the moment the variable remuneration is determined by the Management Board of ING Bank Śląski S.A. or by the Supervisory Board. Upon the end of the second year of the deferral period, the deferred variable remuneration is awarded each year over a period of three years in three equal parts. The deferral period for the President of the Management Board is six years, and the deferred variable remuneration is divided into five equal parts.

#### 5. Ex-post performance verification

The Supervisory Board may decide to reduce, or not to pay, variable remuneration subject to deferral on the basis of:

- verification of performance assessment and/ or
- ex-post risk adjustment and capital test.

Verification of performance assessment helps determine whether or not there were any reasons to change the results for the assessment period, given the effects of the work of a given Management Board Member.

Based on the ex-post risk adjustment, the Bank has the right to either reduce or not to pay variable remuneration under the following circumstances:

- the occurrence of events that result in the Bank's breach, or threaten the Bank's breach, of the standards set out in Article 142 Section 1 of the Banking Law so that it is necessary to implement the Recovery Plan,
- the disbursement of variable remuneration on the basis of data that proved to be false,
- if the Management Board Member in question fails to fulfil the relevant standards concerning competence and reputation,
- if there is a conflict of interest in relation to the disbursement of a part of variable remuneration in phantom equity of ING Bank Śląski S.A. due to failure to comply with rules concerning the use of inside information and other actions that may influence the price of the ING Bank Śląski S.A. shares in a short-term perspective.

#### V. CHANGES TO EMPLOYEES' REMUNERATION OVER A COURSE OF 5 YEARS

Pursuant to Article 90g Section 2 Item 4 of the Act, we provide information on the change, on an annual basis, of remuneration, company's results and average remuneration of employees of that company other than members of the management board or of the supervisory board, over at least five most recent financial years, as a total, in a manner that allows comparisons



A breakdown concerning the change of remuneration, the company's results and average remuneration of employees other than members of the management board or of the supervisory board is presented in Enclosure 2 herewith.

## VI. REMUNERATION FROM GROUP MEMBERS

*Pursuant to Article 90g Section 2 Item 5 of the Act, we present the level of remuneration from members of the same group of companies within the meaning of the Accounting Act of 29 December 1994 (Journal of Laws of 2019, Items 351, 1495, 1571, 1655 and 1680 and Journal of Laws of 2020, Item 568).*

As a rule, the Management Board Members who also hold other functions in the subsidiaries of the ING Bank Śląski S.A. Group perform their tasks in those companies without remuneration. The following subsidiaries are members of the ING Bank Śląski S.A. Group:

- ING Investment Holding (Poland) S.A.
- ING Commercial Finance Polska S.A.
- ING Lease (Polska) Sp. z o.o.
- ING Usługi dla Biznesu S.A.
- Nowe Usługi S.A.
- Solver Sp. z o.o.
- ING Bank Hipoteczny S.A.

and corporate foundations:

- ING for Children Foundation, and
- ING Polish Art Foundation.

Likewise, members of the Supervisory Board who also hold other functions in ING Bank N.V. perform their tasks on the Supervisory Board without payment. Members of the Supervisory Board waive their right to remuneration in writing.

## VII. AWARD OF REMUNERATION IN INSTRUMENTS

*Pursuant to Article 90g Section 2 Item 6 of the Act, we present the number of financial instruments awarded or offered, as well as the main terms and conditions of exercising the rights to those instruments, including the exercise price and date, and changes thereto*

### 1. Terms and conditions of awarding a part of variable remuneration in financial instruments

The annual bonus of a Management Board Member is sub-divided into two parts (rounded up to the integer number of a financial instruments), and at least 50% is awarded in phantom equity which entitles the holder to receive funds in an amount conditional on the value of the ING Bank Śląski S.A. shares. The number of phantom shares is determined in accordance with the following formula:





$$n = z/c$$

where:

- n means the number of phantom shares; if the number of shares so determined is not an integer number, it is rounded up to the nearest integer number
- z means the annual bonus base value of a Management Board Member (deferred and/or non-deferred) to be disbursed in phantom shares
- c means the median price of the Bank's shares using the closing rate at the Warsaw Stock Exchange from the period started on 10 January and ended on 20 February in the year following the Assessment Period

however, in the case of:

- the non-deferred part – the calculation is unconditional,
- the deferred part – the calculation is preliminary and it represents the maximum number of phantom shares to which a given Management Board Member might be entitled. The number of shares awarded may be reduced if the annual bonus base value is lowered in accordance with the rules of ex ante risk adjustment and assessment verification, upon accounting for ex post risk.

2. Terms and conditions of disbursement of a part of variable remuneration in financial instruments

- 1) The final number of phantom shares, which is disbursed as the annual deferred bonus to which a given Management Board Member may be entitled for a given year, will be calculated upon the end of each subsequent calendar year in a given Assessment Verification Period (deferral period). For the purpose of that calculation, the price of the Bank's shares is adopted at the same level as for the preliminary calculation (parameter "c" in the formula above).
- 2) The Bank Management Board Members receive information on the number of phantom shares awarded as part of their deferred and non-deferred bonus not later than by 30 April of the following year.
- 3) The Bank disburses funds in an amount being the product of the number of phantom shares and the price of the Bank's shares. The following formula is applied to that effect:

$$w = l * c$$

where:

- w means the monies due to a Management Board Member
- l means the number of phantom shares for which the Holding Period expired
- c means the median price of the Bank's shares using the closing rate at the Warsaw Stock Exchange from the period started on 10 January and ended on 20 February in the disbursement year

- 4) The holding period applies to a bonus awarded in phantom shares. The period is one year from the phantom equity receipt date. The funds are paid to the Management Board Members not later than by 30 April of the following calendar year. If the exercise date of rights arising from the ING Bank Śląski S.A. phantom shares falls during the closed



period, the exercise will take place on the first business day following the end of that period.

- 5) Based on the ex post assessment verification, a new annual bonus base value may be determined; however, it may not be higher than the value determined after the assessment period. The value of the bonus already awarded during a given bonus award period is deducted from the new base value. The amount resulting from that calculation is split into equal parts, the number of which corresponds to the number of calendar years during the deferral period for which no deferred annual bonus was paid during a given bonus award period (i.e. the current year and the consecutive deferral years). The lower bonus base value applies to the current year and to the consecutive years of the deferral period.
  - 6) A Management Board Member who does not have the right to acquire the deferred Annual Bonus will not acquire the right to that part of the bonus until the end of a given deferral period.
3. Enclosure 3 herewith presents the number of awarded or offered financial instruments.

#### VIII. RETURN OF VARIABLE REMUNERATION COMPONENTS

*Pursuant to Article 90g Section 2 Item 7 of the Act, we provide information on the use of the possibility to demand the return of the variable remuneration components*

1. The remuneration policy does not envisage a mechanism for the return of the variable remuneration components. In accordance with the effective regulations, there is a mechanism in place so that the deferred bonus is not paid out at all or it is paid out at a lower amount.
2. The Bank uses to that effect advanced measurement methods to estimate the capital base. It also applies the stress-testing policy which ensures an adequate risk management and a proper assessment of current and future capital requirements. The information on that measurement is communicated to the Committee and to the Supervisory Board by the Finance Division of ING Bank Śląski S.A.
3. Upon the end of each calendar year during the deferral period, the Supervisory Board verifies, based on the Committee's recommendation, the assessment of target completion during the assessment period. Such a verification is conducted by 30 April. The Supervisory Board may decide to reduce, or not to pay, the annual bonus during a given bonus award period if:
  - 1) there are circumstances justifying an adjustment (as described in Section IV item 5 hereof)
  - 2) the Management Board Member fails to submit a written statement to confirm that s/he does not apply hedging strategies or insurance
  - 3) there are other material circumstances that would make the annual bonus payment unacceptable under the principles of common sense and fairness.

#### IX. EXCEPTIONS

*Pursuant to Article 90g Section 2 Item 8 of the Act, we provide information concerning exceptions to the procedure for implementing the remuneration policy and exceptions applied in accordance*



*with Article 90f, including an explanation of the premises and the mode, and indication of elements to which exceptions were applied.*

During the period covered by this report, there were no deviations from the remuneration policy or implementation procedure.



## Enclosure 1

## Management Board

## Remuneration due and awarded to the members of the Management Board of ING Bank Śląski S.A.

Name	Period	Base salary	Other benefits <sup>1</sup>	Fixed remuneration	Variable remuneration - upfront cash	2019		Variable remuneration - deferred cash	Variable remuneration - deferred phantom shares		Variable remuneration awarded for 2019 <sup>3</sup>	Variable - fixed ratio
						Variable remuneration - upfront phantom shares			value	number		
						value	number					
<b>Brunon Bartkiewicz</b> Chairman of the Supervisory Board of ING Bank Hipoteczny S.A.	01.01.2019 - 31.12.2019	2 514 000	436 772	2 950 772	503 885	504 078	2 474	503 885	504 078	2 474	2 015 926	68%
<b>Michał Bolesławski</b> Chairman of the Supervisory Board of ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.	01.01.2019 - 31.12.2019	1 348 800	227 620	1 576 420	358 624	358 804	1 761	239 083	238 999	1 173	1 195 509	76%
<b>Joanna Erdman</b> Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.	01.01.2019 - 31.12.2019	1 348 800	232 087	1 580 887	323 706	323 759	1 589	215 804	215 771	1 059	1 079 040	68%
<b>Patrick Roesink<sup>2, 4</sup></b> Member of the Supervisory Board of ING Bank Hipoteczny S.A. (till 31.03.2020)	01.01.2019 - 31.12.2019	1 179 066	652 076	1 831 142	119 849	120 009	589	79 900	79 870	392	399 628	22%
<b>Marcin Giżycki</b> Vice-chairman of the Supervisory Board of ING Bank Hipoteczny S.A.	01.01.2019 - 31.12.2019	1 218 660	213 714	1 432 374	324 011	324 166	1 591	216 008	215 975	1 060	1 080 160	75%
<b>Bożena Graczyk</b> Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o. Member of the Audit Committee and Risk Committee of the supervisory Board of ING Bank Hipoteczny S.A.	01.01.2019 - 31.12.2019	1 320 000	210 166	1 530 166	343 264	343 523	1 686	228 843	228 811	1 123	1 144 440	75%
<b>Lorenzo Tassan-Bassut<sup>4</sup></b> Member of the Supervisory Board of ING Bank Hipoteczny S.A.(01.04.2020 - 31.12.2020)	01.01.2019 - 31.12.2019	1 016 769	452 000	1 468 769	163 509	163 611	803	109 006	109 006	535	545 133	37%
<b>Sławomir Soszyński</b>	01.10.2019 - 31.12.2019	270 000	74 314	344 314	64 685	64 996	319	43 124	43 195	212	216 000	63%
<b>Michał Mrożek</b>	-	-	-	-	-	-	-	-	-	-	-	0%
<b>Total</b>		10 216 095	2 498 749	12 714 844	2 201 534	2 202 945	10 812	1 635 651	1 635 705	8 028	7 675 836	

<sup>1</sup> Other benefits include: life insurance, investment fund (15% of the monthly base salary net of the Management Member that is not on the international assignment), medical care or insurance (incl. family members), benefits pursuant to an international assignment contract (incl. usage of company car for private purposes, benefits for family members such as schooling ) and other benefits granted by the Supervisory Board of the Bank

<sup>2</sup> Variable remuneration for 2019 granted in EUR, FX rate EUR 1 = PLN 4,2502, variable remuneration for 2020 granted in EUR, FX rate EUR 1 - PLN 4,4836

<sup>3</sup> Variable remuneration is set by the Supervisory Board based on the assessment of individual goals execution that include 3 categories of equal weight:

- **Job** (e.g. Financial performance of the Bank, Financial performance of the Business Line, Risk and Compliance, Operational Excellence, Client and its satisfaction, Delivery of the strategic projects, Motivation and engagement of employees)
- **Orange Code** (individually defined goals in the following categories of behaviours: ) You take it on and make it happen, You help others to be successful, You are always a step ahead)
- **Stretch Assignment** (defined individually goals beyond job expectations the effect of which is e.g. a new quality for the client)

<sup>4</sup> International assignment

Enclosure 1

Management Board

Remuneration due and awarded to the members of the Management Board

Name	2020												
	Period	Base salary	Other benefits <sup>1</sup>	Fixed remuneration	Variable remuneration - upfront cash	Variable remuneration - upfront phantom shares		Variable remuneration - deferred cash	Variable remuneration - deferred phantom shares		Variable remuneration awarded for 2020 <sup>3</sup>	Variable - fixed ratio	Total variable remuneration - deferred cash as at 31.12.2020
						value	number		value	number			
<b>Brunon Bartkiewicz</b> Chairman of the Supervisory Board of ING Bank Hipoteczny S.A.	01.01.2020 - 31.12.2020	2 514 000	444 675	2 958 675	402 196,25	402 369,80	2 338	402 196,25	402 197,70	2 337	1 608 960	54%	1 455 929
<b>Michał Bolesławski</b> Chairman of the Supervisory Board of ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.	01.01.2020 - 31.12.2020	1 348 800	260 266	1 609 066	280 655,93	280 695,10	1 631	187 103,95	187 072,70	1 087	935 528	58%	738 007
<b>Joanna Erdman</b> Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.	01.01.2020 - 31.12.2020	1 348 800	234 694	1 583 494	258 963,12	259 010,50	1 505	172 642,08	172 616,30	1 003	863 232	55%	675 364
<b>Patrick Roesink</b> <sup>2,4</sup> Member of the Supervisory Board of ING Bank Hipoteczny S.A. (till 31.03.2020)	01.01.2020 - 31.03.2020	297 151	426 023	723 174	25 899,16	25 987,08	151	17 266,07	17 209,85	100	86 362	12%	234 192
<b>Marcin Giżycki</b> Vice-chairman of the Supervisory Board of ING Bank Hipoteczny S.A.	01.01.2020 - 31.12.2020	1 308 450	246 639	1 555 089	292 924,37	293 086,30	1 703	195 282,91	195 333,50	1 135	976 627	63%	659 486
<b>Bożena Graczyk</b> Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o., Member of the Audit Committee and Risk Committee of the supervisory Board of ING Bank Hipoteczny S.A.	01.01.2020 - 31.12.2020	1 320 000	242 952	1 562 952	274 659,60	274 671,60	1 596	183 106,40	183 114,40	1 064	915 552	59%	661 213
<b>Lorenzo Tassan-Bassut</b> <sup>2,4</sup> Member of the Supervisory Board of ING Bank Hipoteczny S.A. (01.04.2020 - 31.12.2020)	01.01.2020 - 31.12.2020	1 226 427	442 151	1 668 578	92 654,85	92 761,90	539	61 769,93	61 956,00	360	309 143	19%	176 762
<b>Sławomir Soszyński</b>	01.01.2020 - 31.12.2020	1 080 000	192 909	1 272 909	207 270,66	207 380,50	1 205	138 180,44	138 368,40	804	691 200	54%	181 304
<b>Michał Mrozek</b>	01.07.2020 - 31.12.2020	600 000	106 124	706 124	115 161,84	115 307,00	670	76 774,56	76 756,60	446	384 000,00	54%	76 775
<b>Total</b>		11 043 628	2 596 436	13 640 063	1 950 386	1 951 270	11 338	1 434 323	1 434 625	8 336	6 770 604		4 859 031

<sup>1</sup> Other benefits include: life insurance, investment fund (15% of the monthly base salary net of the Management Member that is not on the international assignment), medical care or insurance (incl. family members), benefits pursuant to an international assignment contract (incl. usage of company car for private purposes, benefits for family members such as schooling ) and other benefits granted by the Supervisory Board of the Bank

<sup>2</sup> Variable remuneration for 2019 granted in EUR, FX rate EUR 1 = PLN 4,2502, variable remuneration for 2020 granted in EUR, FX rate EUR 1 - PLN 4,4836

<sup>3</sup> Variable remuneration is set by the Supervisory Board based on the assessment of individual goals execution that include 3 categories of equal weight:

- **Job** (e.g. Financial performance of the Bank, Financial performance of the Business Line, Risk and Compliance, Operational Excellence, Client and its satisfaction, Delivery of the strategic projects, Motivation and engagement of employees)

- **Orange Code** (individually defined goals in the following categories of behaviours: ) You take it on and make it happen, You help others to be successful, You are always a step ahead)

- **Stretch Assignment** (defined individually goals beyond job expectations the effect of which is e.g. a new quality for the client)

<sup>4</sup> International assignment

Enclosure 1

**Supervisory Board**

**Remuneration due to members of the Supervisory Board of ING Bank Śląski S.A.**

Name	2019			2020		
	Period	Fixed Remuneration	other benefits included <sup>5</sup>	Period	Fixed Remuneration	other benefits included <sup>5</sup>
Aleksander Galos <i>Independent member</i>	01.01.2019 - 31.12.2019	264 322,38	7 282,38	01.01.2020 - 31.12.2020	263 837,83	2 477,83
Aleksander Kutela <i>Independent member</i>	01.01.2019 - 31.12.2019	227 433,84	6 093,84	01.01.2020 - 31.12.2020	233 365,96	8 305,96
Antoni Reczek <i>Independent member</i>	01.01.2019 - 31.12.2019	348 255,76	5 535,76	01.01.2020 - 31.12.2020	354 877,37	6 397,37
Małgorzata Koiakowska <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.01.2020 - 31.12.2020	-	-
Michał Szczurek <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.01.2020 - 31.12.2020	-	-
Ad Kas (as of 02.04.2020) <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.01.2020 - 31.04.2020	-	-
Norman Tambach (till 02.04.2020) <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.01.2020 - 31.04.2020	-	-
Susan Poot (as of 01.05.2020) <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.05.2020 - 31.12.2020	-	-
Remco Nieland (as of 01.05.2020) <i>Member having ties with ING Group</i>	01.01.2019 - 31.12.2019	-	-	01.05.2020 - 31.12.2020	-	-
<b>Total</b>		<b>840 011,98</b>	<b>18 911,98</b>		<b>852 081,16</b>	<b>17 181,16</b>

<sup>5</sup> reimbursement of ZUS contributions due to exceeding the annual basis for retirement and disability contributions based on the decision of the Social Insurance Institution

## Enclosure 2

Changes in the salaries of employees over the period of 5 years													
Bank performance and Remuneration Data	2014	2015		2016		2017		2018		2019		2020	
	amount	change	amount	change	amount	change	amount	change	amount	change	amount	change	
Gross profit (in mln PLN) - solo ING Bank Śląski S.A.	1 336	1 396	4%	1 578	13%	1 859	18%	2 010	8%	2 217	10%	1 883	-15%
Gross profit (in mln PLN) - total Grupa kapitałowa ING Banku Śląskiego S.A.	1 347	1 390	3%	1 645	18%	1 882	14%	2 031	8%	2 258	11%	1 912	-15%
Gross profit (in mln PLN) - solo ING Bank Śląski S.A.	1 068	1 140	7%	1 209	6%	1 403	16%	1 524	9%	1 659	9%	1 338	-19%
Gross profit (in mln PLN) - total Grupa kapitałowa ING Banku Śląskiego S.A.	1 041	1 127	8%	1 253	11%	1 403	12%	1 524	9%	1 659	9%	1 338	-19%
CI/ - solo ING Bank Śląski S.A.	53,5%	55,8%	4%	48,6%	-13%	44,2%	-9%	43,6%	-1%	42,4%	-3%	44,0%	4%
CI/ - total Grupa kapitałowa ING Banku Śląskiego S.A.	54,4%	57,1%	5%	48,5%	-15%	44,8%	-8%	44,5%	-1%	43,1%	-3%	44,3%	3%
ROE - solo ING Bank Śląski S.A.	11,7%	11,4%	-3%	11,5%	1%	12,6%	10%	12,4%	-2%	11,7%	-6%	7,7%	-34%
ROE - total Grupa kapitałowa ING Banku Śląskiego S.A.	11,1%	11,0%	-1%	11,7%	6%	12,7%	9%	12,5%	-2%	11,6%	-7%	7,6%	-34%
Average annual monthly base salary of employees of ING Bank Śląski S.A. who are not members of the management board or the supervisory board	6 179	6 353	3%	6 685	5%	6 990	5%	7 565	8%	7 882	4%	8 409	7%
Average monthly base and variable remuneration granted for a given year to the Management Board members of ING Bank Śląski S.A. for the period of performing the function / without additional benefits/													
Kotakowska Małgorzata (till 31.03.2016)	289 088	297 615	3%	275 415	-7,5%	-	-	-	-	-	-	-	-
Barkiewicz Brunon (as of 19.04.2016)	-	-	-	392 700	-	353 296	-10%	277 803	-21%	377 494	36%	343 580	-9%
Bolesławski Michał (till 31.12.2020)	200 790	202 560	1%	208 894	3%	188 460	-10%	187 135	-1%	212 026	13%	190 361	-10%
Boda Mirosław (till 31.05.2017)	195 533	194 079	-1%	189 520	-2%	172 051	-9%	-	-	-	-	-	-
Kesler Justyna (till 31.12.2018)	189 759	188 493	-1%	191 520	2%	174 717	-9%	159 708	-9%	-	-	-	-
Erdman Joanna (as of 01.04.2013)	166 840	179 540	8%	176 558	-2%	181 276	3%	181 700	0%	202 320	11%	184 336	-9%
Swan Oscar (till 30.06.2015)	184 920	180 144	-3%	-	-	-	-	-	-	-	-	-	-
Julia Vilar Ignacio (till 30.04.2016)	181 132	199 363	10%	194 361	-3%	-	-	-	-	-	-	-	-
Giżycki Marcin (as of 01.08.2016) <sup>1</sup>	-	-	-	197 860	-	150 461	-24%	149 372	-1%	191 568	28%	190 423	-1%
Roesink Patrick (as of 01.07.2015 till 31.03.2020)	-	141 323	-	132 605	-6%	125 587	-5%	117 888	-6%	131 558	12%	127 838	-3%
Graczyk Bożena (as of 01.06.2017)	-	-	-	-	-	185 613	-	184 498	-1%	205 370	11%	186 296	-9%
Tossan-Bassut Lorenzo (as of 01.01.2019)	-	-	-	-	-	-	-	-	-	130 159	-	127 964	-2%
Soszyński Sławomir (as of 01.09.2019)	-	-	-	-	-	-	-	-	-	162 000	-	147 600	-9%
Mrozek Michał (as of 01.07.2020)	-	-	-	-	-	-	-	-	-	-	-	164 000	-
Average monthly remuneration of Supervisory Board members ING Bank Śląski S.A. for the period of performing the function <sup>2</sup>													
Mirosław Kośmider (till 10.04.2014) <i>Independent member</i>	13 000	-	-	-	-	-	-	-	-	-	-	-	-
Wojciech Popiolek (till 10.04.2014) <i>Independent member</i>	11 000	-	-	-	-	-	-	-	-	-	-	-	-
Anna Fornalczyk (till 10.04.2014) <i>Independent member</i>	17 500	-	-	-	-	-	-	-	-	-	-	-	-
Antoni Reczek (as of 10.04.2014) <i>Independent member</i>	20 000	22 600	13%	24 719	9%	26 555	7%	27 120	2%	28 560	5%	29 040	2%
Aleksander Galos (as of 10.04.2014) <i>Independent member</i>	12 500	14 100	13%	14 119	0%	16 385	16%	19 610	20%	21 420	9%	21 780	2%
Aleksander Kutela (as of 10.04.2014) <i>Independent member</i>	10 000	13 867	39%	14 119	2%	14 523	3%	17 077	18%	18 445	8%	18 755	2%
Nicolaas Cornelius Jue (till 31.03.2015) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Diederik van Wassenae (as of 31.03.2015 till 31.03.2016) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Brunon Barkiewicz (till 04.03.2016) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Roland Boekhout (till 15.03.2017) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Christopher Steane (as of 31.03.2016 till 05.04.2018) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Małgorzata Kotakowska (as of 01.04.2016) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Michał Szczurek (as of 05.04.2018) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Ad Kas (till 02.04.2020) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Norman Tambach (till 02.04.2020) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Susan Poot (as of 01.05.2020) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Remco Nieland (as of 01.05.2020) <i>Member having ties with ING Group</i>	-	-	-	-	-	-	-	-	-	-	-	-	-

<sup>1</sup> including remuneration due to function in the Management Board of ING Securities S.A.<sup>2</sup> without reimbursement of ZUS contributions for exceeding the annual base for retirement and disability contributions based on the decision of the Social Insurance Institution

**Note:** There is a presentation discrepancy in relation to the individualized data presented in the Annual Report, namely this statement takes into account the variable remuneration awarded for a given financial year without any other benefits, while the Annual Report includes:

- in the part concerning remuneration due for a given year - the amount of a provision for variable remuneration for the Bank's Management Board for a given year,
- in the part concerning remuneration paid in a given year - variable remuneration paid in a given financial year for previous years.

The Annual Report also includes data on the value of other benefits.

## Enclosure 3

Name, last name	2019					2020				
	No. of phantom shares - 01.01.2019 (deferred shares)	No. of phantom shares granted in a given year (in line with the calculation presented in item VII.1 of the report) for 2018		No. of phantom shares vested based on the assessment verification and ex post risk adjustment - for previous years, i.e. 2015-2016	No. of phantom shares that will vest in the following years	No. of phantom shares - 01.01.2020 (deferred shares)	No. Of phantom shares granted in a given year (in line with the calculation presented in item VII.1 of the report) for 2019		No. of phantom shares vested based on the assessment verification and ex post risk adjustment - for previous years, i.e. 2016-2017	No. of phantom shares that will vest in the following years
		upfront	deferred				upfront	deferred		
<b>Brunon Bartkiewicz</b> <i>Chair of the Supervisory Board of ING Bank Hipoteczny S.A.</i>	3 427	1 071	1 070	717	3 780	3 780	2 474	2 474	1 115	5 139
<b>Michał Bolesławski</b> <i>Chair of the Supervisory Board of ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.</i>	2 551	1 428	952	1 176	2 327	2 327	1 761	1 173	777	2 723
<b>Joanna Erdman</b> <i>Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o.</i>	2 160	1 319	879	976	2 063	2 063	1 589	1 059	635	2 487
<b>Patrick Roesink<sup>1</sup></b> <i>Member of the Supervisory Board of ING Bank Hipoteczny S.A. (until 31.03.2020)</i>	1 155	493	329	476	1 008	1 008	589	392	390	1 010
<b>Marcin Giżycki</b> <i>Deputy Chair of the Supervisory Board of ING Bank Hipoteczny S.A.</i>	1 301	1 097	731	363	1 669	1 669	1 591	1 060	438	2 291
<b>Bożena Graczyk</b> <i>Member of the Supervisory Board of ING Bank Hipoteczny S.A., ING Commercial Finance S.A. and ING Lease (Polska) Sp. z o.o., Member of the Audit and Risk Committee of the Supervisory Board of ING Bank Hipoteczny S.A.</i>	489	1 401	934	-	1 423	1 423	1 686	1 123	163	2 383
<b>Lorenzo Tassan-Bassut<sup>1</sup></b> <i>Member of the Supervisory Board of ING Bank Hipoteczny S.A. (01.04.2020 - 31.12.2020)</i>	-	-	-	-	-	-	803	535	-	535
<b>Sławomir Soszyński</b>	-	-	-	-	-	-	319	212	-	212
<b>Michał Mrozek</b>	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11 083</b>	<b>6 809</b>	<b>4 895</b>	<b>3 708</b>	<b>12 270</b>	<b>12 270</b>	<b>10 812</b>	<b>8 028</b>	<b>3 518</b>	<b>16 780</b>

<sup>1</sup> incl. phantom shares granted for performance of function in the Management Board of ING Securities S.A.



## TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company.

In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

# Independent registered auditor's report on the assurance engagement in relation to the assessment of the Remuneration Report

To the General Shareholders' Meeting, the Supervisory Board and the Management Board of ING Bank Śląski S.A.

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## Introduction

We have been engaged by the Management Board of ING Bank Śląski S.A. (the "Bank" ) on the basis of an agreement to conduct a reasonable assurance engagement for the verification of completeness and compliance with applicable requirements of the attached Remuneration Report for the years ended 31 December 2020 and 31 December 2019 (the "Remuneration Report").

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## Description of the subject matter and applicable criteria

The Remuneration Report was prepared by the Supervisory Board to comply with the requirements in Art. 90g paragraph 1 of the Act of 29 July, 2005 on public offering, conditions for introducing financial instruments to an organized trading system and on public companies (Journal of Laws of 2019, item 623, as amended - hereinafter the "Public Offering Act"). The applicable requirements regarding the Remuneration Report are contained in the Public Offering Act.

The requirements referred to in the preceding sentence determine the basis for preparation of the Remuneration Report (hereinafter the "Basis for Preparation") and, in our view, constitute appropriate criteria to form the reasonable assurance conclusion.

According to the requirements of Art. 90g paragraph 10 of the Public Offering Act, the Remuneration Report is subject to assessment by a registered auditor in terms of it including the information required under Art. 90g paragraph 1-5 and 8 of the Public Offering Act. This report fulfills this requirement.

By the registered auditor's assessment referred to above, we mean the assessment whether, in all material respects, the scope of information presented in the Remuneration Report is complete and has been disclosed with the level of detail required by the Public Offering Act. Additionally, our assessment includes verification that the information presented in the Remuneration Report is consistent, in all material respects, with the actual state of affairs, does not ignore significant facts and does not contain material distortions.

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## Responsibility of the Supervisory Board

The Supervisory Board is responsible for the preparation and completeness of the Remuneration Report. The Supervisory Board is responsible for the selection and application of the appropriate methods for preparation of financial data and non-financial information as well as for the design, implementation and maintenance of systems and processes of internal control and accounting records, that are necessary to enable preparation of a Remuneration Report that is free of material misstatements and complies with the applicable requirements.

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PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. wpisana jest do Krajowego Rejestru Sądowego prowadzonego przez Sąd Rejonowy dla m. st. Warszawy, pod numerem KRS 0000750050, NIP 526-021-02-28. Siedzibą Spółki jest Warszawa, ul. Polna 11.



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## Our responsibility

Our responsibility was to assess the completeness and compliance with the applicable requirements of the information contained in the attached Remuneration Report and to express, based on the evidence obtained, an independent conclusion from the assurance service performed, providing reasonable assurance.

We conducted our engagement in accordance with National Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits and Reviews of Historical Financial Information, in the wording of the International Standard on Assurance Engagements 3000 (Revised) (“ISAE 3000 (R)”). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Remuneration Report is prepared, in all material aspects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance with ISAE 3000 (R) will always detect the existing material misstatement.

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## Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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## Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance whether the Remuneration Report was prepared, in all material aspects, in accordance with the applicable requirements, is complete and free from material misstatements and omissions. Our procedures included, in particular:

- analysis of the Remuneration Report and comparing the information contained therein with the applicable requirements;
- analysis of the resolutions of the General Shareholders’ Meeting of the Bank regarding the remuneration policy for members of the Management Board and the Supervisory Board as well as any supplementary resolutions of the Supervisory Board and other documents regulating the remuneration policy subject to the disclosure requirement in the Remuneration Report;
- understanding the procedures adopted by the Supervisory Board to meet requirements of the preparation of the Remuneration Report, including understanding the relevant internal control procedures to the extent necessary to assess the risk of material misstatement or the omission of significant information;
- identifying, by comparing with corporate documents, a list of persons for whom there is a requirement to include information in the Remuneration Report and verifying, through inquiries of persons responsible for preparing the report, and, where we consider it appropriate, also directly with persons subject to the requirement provide information on, whether all information covered by the criteria for the preparation of the Remuneration Report are disclosed in the Remuneration Report;



- where we consider it appropriate to assess the compliance of the Remuneration Report with applicable regulations, reconciliation of the financial data regarding remuneration presented in the Remuneration Report to the Bank accounting books and other relevant source documents;
- where we consider it appropriate to assess the completeness of the Remuneration Report with the applicable regulations, reconcile with the relevant source documents whether the non-financial information required for disclosure in the Remuneration is accurate and does not omit material facts.

The Remuneration Report was not subject to audit as defined in National Standards on Auditing. In the course of performing the assurance procedures, we have not conducted an audit or review of the historical financial information used in the process of preparation of the Remuneration Report and therefore we do not accept any responsibility for the issuance or update of any reports or opinions on historical financial information of the Bank.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion expressed below.

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### Conclusion (assessment)

In our opinion, the Remuneration Report is complete and complies, in all material aspects, with the applicable requirements contained in the Basis for Preparation.

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### Restrictions of use

This report has been prepared by PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. for the General Shareholders' Meeting, the Supervisory Board and the Management Board of the Bank and is intended solely to fulfil the purpose described in the section "Description of the subject matter and applicable criteria". It should not be used for any other purpose.

In connection with this report, PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. does not accept any liability resulting from contractual and non-contractual relationships (including for negligence) with entities other than the Bank in the context of this report. The above does not relieve us of liability where such release is excluded by law.

The Management Board of the Bank is responsible for publishing the Remuneration Report on the Bank website and for providing access to it free of charge for at least 10 years from the date of the general meeting at which the resolution evaluating the Remuneration Report was adopted, and for the reliability of information on the Bank website. The scope of our work does not include an assessment of these matters. Accordingly, we are not responsible for any changes that may have been made to the information which is the subject of our assessment or for differences, if any, between the information covered by our report and the information provided on the Bank website.



Acting on behalf of PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a company entered on the list of entities authorised to audit financial statements under number 144:

Tomasz Konieczny

Statutory Auditor  
License no 90070

Warsaw, 19 March 2021 r.

Enclosure with Supervisory Board Resolution  
of 12 March 2021

**Supervisory Board's assessment of Bank's compliance  
with disclosure duties as to application of principles of corporate governance,  
laid down in the WSE Rules and regulations on current and interim disclosures  
made by securities issuers**

The assessment of the Bank's compliance with disclosure duties as to application of the principles of corporate governance is made on the basis of Principle II.Z.10.3 of the Code of Best Practice for WSE Listed Companies 2016 (hereinafter referred to as "Code of Best Practice 2016") that was introduced by WSE Supervisory Board Resolution No. 26/1413/2015 of 13 October 2015 and came into force as of 1 January 2016.

The Code of Best Practice 2016 was adopted by the ING Bank Śląski S.A. Management Board on 17 November 2015 and by the Supervisory Board on 27 November 2015 in the scope as defined in current report no. 1/2016 (EIB) published by the Bank on 5 January 2016. At the same time, since September 2016, the Bank has been applying Principle I.Z.1.15 to the full extent.

ING Bank Śląski S.A. complies with disclosure duties as to application of the principles of corporate governance laid down in the WSE Rules and regulations on current and interim disclosures made by securities issuers.

As far as the principles of corporate governance arising from the Code of Best Practice 2016 are concerned, the Bank, regardless of the current report of 05 January 2016 filed in accordance with the *comply or explain* principle, makes also representations, in the form and within the timeframes as required by law, on the application of the principles adopted and on the scope of their applicability and relevant procedure. By analogy to previous years, a corresponding representation is an element of the Report on the Bank operations in 2020.

Irrespective of the principles arising from the Code of Best Practice 2016, the Bank applies the *Principles of Corporate Governance for Supervised Institutions* published by the Polish Financial Supervision Authority. On 30 December 2014, the Bank Management Board presented a relevant Report on Observance of "Principles of Corporate Governance for Supervised Institutions" at ING Bank Śląski S.A., published on the Bank website. The information on the application of the *Principles of Corporate Governance for Supervised Institutions* is also an element of the Report on the Bank operations in 2020.

At the same time, it should be stressed that the Bank abides by the principles of corporate governance in its operations, in particular by ensuring proper access to the Bank's information to shareholders, investors, the media and all stakeholders.

The Bank uses General Meetings to keep an open line of communication with shareholders by:



- responding and providing explanations to shareholders' inquiries during the General Meeting by the members of the Bank's governing bodies,
- broadcasting the General Meeting session via the Internet, and
- enabling the media representatives to attend the General Meeting's sessions.

In 2020, the Bank fully applied Recommendation IV.R.2 of the Code of Best Practice for WSE Listed Companies 2016 by conducting the General Meeting with the use of means of electronic communication. The General Meeting debates were transmitted in real time and two-way real time communication was provided which enabled shareholders to express their opinion during the debates of the General Meeting, and exercise their voting rights in person or through the agency of the proxy.

Furthermore, the Bank publishes the information required by the principles of corporate governance adopted by it on the website: [www.ing.pl](http://www.ing.pl).

The Bank also uses the following channels to communicate with the stakeholders:

- face-to-face, individual or group meetings with investors and analysts,
- investor conferences,
- press releases,
- press conferences,
- information on the media,
- thematic conferences and seminars, and
- webinars.

2020 was a specific year due to the outbreak of the pandemic. The lockdown did not impede the open communication of the Bank with the market, nonetheless. Thanks to being digitally advanced, the Bank could communicate with stakeholders in a smooth and safe manner. In 2020, ING Bank Śląski S.A. communicated with stakeholders via remote tools, enabling them to participate in all major events and developments.

Consequently, the Supervisory Board have assessed that the Bank properly fulfils its disclosure duties as to application of the principles of corporate governance laid down in the WSE Rules and regulations on current and interim disclosures made by securities issuers.



Enclosure with Supervisory Board Resolution  
of 12 March 2021

**Supervisory Board's assessment of application by ING Bank Śląski S.A. of  
Principles of Corporate Governance for Supervised Institutions in 2020**

By Resolution No. 218/2014 of 22 July 2014 (PFSA Official Journal No. 17), the Polish Financial Supervision Authority adopted the *Principles of Corporate Governance for Supervised Institutions* (hereinafter referred to as: "CG Principles").

The CG Principles were adopted by ING Bank Śląski S.A. ("the Bank") in the scope as laid down in the Management Board Report of 30 December 2014, published on the Bank's website at: <http://www.ing.pl/o-banku/lad-korporacyjny>.

Beforehand, on 28 November 2014, the draft Management Board Report received positive advice of the Supervisory Board who also on the same day accepted the *CG Principles* applicable to the Supervisory Board operation and its members.

Following the amendments to the Bank Charter implemented by way of Resolution No. 26 of the Ordinary General Meeting of the Bank of 31 March 2015, the Bank applies any and all rules set out in the CG Principles. In 2020, the Bank for the first time in its history, fully applied Principle under Article 8.4, by performing the General Meeting by means of electronic communication, i.e. through transmission of the General Meeting debates in real time, two-way real time communication enabling the shareholders to make statements during the debates of the General Meeting as well as to exercise their voting right in person or by a proxy.

Concurrently, with its Resolution No. 25 of 31 March 2015 the Ordinary General Meeting accepted the Bank Management Board Report of 30 December 2014 and declared readiness to apply the *CG Principles* in the part regarding shareholders and relations of the Bank as a supervised institution with its shareholders, on the terms and conditions set out in that Resolution. The Resolution is available on the Bank's website at: <http://www.ing.pl>.

The Supervisory Board have assessed that the actions taken resulted in adherence to the *CG Principles* being assured both in terms of compliance of in-house regulations therewith and their application by the Bank in the daily routine. Further, at the beginning of 2020, the Bank verified compliance with the *CG Principles*. During the verification exercise, validity of application of *CG Rules* as far as adopted by the Bank was confirmed with no instances of breach thereof in 2020 found.



The Bank governing bodies apply the *CG Principles*, particularly those referring to their affairs and mutual relations. The *CG Principles* are also followed by Bank employees and are mirrored in the day-to-day business of the Bank. The foregoing applies to the *CG Principles* concerning internal relations, the Bank's organisation and key systems and functions, and also the *CG Principles* relating to external relations with shareholders, Bank clients and other entities concerned.

Hence, the Supervisory Board have assessed that in 2020 the Bank was applying the *Principles of Corporate Governance for Supervised Institutions* in a proper manner.





**Supervisory Board's assessment of the ING Bank Śląski S.A. policy concerning charitable and sponsorship initiatives in 2020.**

Based on the information provided by the Bank Management Board, the Supervisory Board conclude that in 2020 ING Bank Śląski S.A. was involved in the following charitable and social activities:

1. addressing the social impact of the COVID-19 pandemic,
2. providing support for actions intended to educate on the economy, entrepreneurship, modern technologies, sustainability,
3. providing education and support for children and teenagers,
4. promoting Polish modern art and educating thereon.

The Bank carried out those actions on its own, in cooperation with social partners and courtesy of two corporate foundations: ING for Children Foundation and ING Polish Art Foundation.

1. ADDRESSING THE SOCIAL IMPACT OF THE COVID-19 PANDEMIC

Our response to COVID- 19

ING Bank Śląski donated PLN 4 million to help medical services during the first wave of the COVID-19 pandemic. The Bank's support was channelled to these areas where the largest increase in the number of patients was observed. Financial assistance was provided to 5 medical facilities. The Bank also joined the Coalition of Companies providing support for combating SARS-CoV-2 in Poland. As part of this initiative, Warsaw Genomics carried out tests for SARS-CoV-2 to confirm or rule out virus infection. The Bank made a donation to cover the costs of 1000 such tests. Moreover, over PLN 2 million was collected to support health care by way of donations made by customers, employees and the ING Group who decided to support combating the pandemic in many countries. ING Bank Śląski, ING Tech Poland and the ING for Children Foundation have transferred these funds to selected medical facilities.

In the second wave of the epidemic, ING Bank Śląski provided support totalling PLN 1 million. Financial donations were allocated to 10 hospitals (PLN 100,000 each). The full list of facilities that received donations is available on the Bank website.

Additionally, the Bank donated dozens of second-hand laptops to organisations and schools to support remote learning, and the Wrocław Region made a donation to purchase new laptops for the Wrocław Children's Hospice Foundation.

The CIO division offered an educational programme for secondary school teachers on the use of remote learning tools.

The Bank, together with the Regional Volunteer Centre in Katowice, got involved in the #maska dla seniora (face mask for the elderly) campaign, under which face masks were handed over for free to elderly people living in Katowice and neighbouring cities.



In April, ING and TAURON's eco-electric vehicles served volunteers from the Vacant Seat Foundation [*Fundacja Wolne miejsce*], which organises the annual meeting at the Easter table. Due to the epidemic, Easter breakfasts were delivered directly to these in need. The cars were left to be used by the Foundation until the end of April. They were used to distribute meals among the most needy. Employees of the Internal Audit Department, as part of the global campaign of ING Group internal audit employees, got involved in the action to fight coronavirus in the poorest countries "UNITE TO FIGHT CORONA" by donating PLN 10,000 to UNICEF POLAND.

## 2. SUPPORT FOR ACTIONS INTENDED TO EDUCATE ON THE ECONOMY, ENTREPRENEURSHIP, MODERN TECHNOLOGIES, SUSTAINABILITY

### Warsaw Institute of Banking – BAKCYL Programme

In 2020, despite the pandemic, the Bank kept participating in the BAKCYL Programme - a joint project of the banking sector for the financial education of children and teenagers from primary (6th-8th form) and secondary schools, run by the Warsaw Banking Institute.

Volunteer Bank employees conducted 23 online lessons on finance, which were attended by 550 students. The topics of the lessons were: "Your money", "From saving to investing" and in the first to fourth form of secondary schools, a set of topics: "Financial market – trust in business", "My finances – I follow my business acumen", "Smart investing".

In addition, as part of their cooperation, ING Bank Śląski and the Warsaw Banking Institute jointly conducted a financial knowledge quiz during the Global Money Week (23-29 March) designed for employees' children aged 13-16. As lessons and classes are now online, the Warsaw Banking Institute asked for support in organising a meeting with schoolchildren on cyber security. The lesson, which was attended by 950 participants, was conducted by an expert - Maciej Ogórkiewicz, Chief Information Security Officer.

### Zwolnieni z Teorii [Theory-free]

Zwolnieni z Teorii is the largest Social Projects Contest in Poland. During the Contest, high school students organize their own social projects. In 2020, most projects were carried out on-line. As a partner in the Contest, ING Bank Śląski S.A. prepared ING Challenge for teenagers. In the first half of the year (school year 2019/2020) the challenge was about #entrepreneurship, while in the school year 2020/2021, in order to address the need to develop digital skills and to help the elderly, the challenge was linked to the #zdalnidpomocy campaign. In addition, ING Challenge participants benefited from carrying out projects under the mentoring of bank employees. 36 teams and 60 ING mentors from across Poland signed up for the ING Challenge. Moreover, to support young people with knowledge about cyber security, the Bank, together with Zwolnieni z Teorii, organised an online lesson for 380 students. It was conducted by Maciej Ogórkiewicz, Chief Information Security Officer.

### CoderDojo Foundation

CoderDojo is a nationwide community of new technology enthusiasts and a place for children and teenagers to develop their technological talents (programming, modelling, graphics, 3D printing). Classes are held outside of school, often at the premises offered by companies. Participation in classes is



free of charge; communities can be joined by anyone who wants to become a CoderDojo student or mentor.

ING CoderDojo continued online classes for children (including children of ING employees) in the following groups: robotics, Minecraft, mobile applications (ING Tech Polska group). Additionally, to help employees and their children with remote learning, CoderDojo Foundation carried out eduHackers workshops on various applications to make this form of school lessons more attractive. Three workshops were held in November and December. They were attended by approximately 100 employees with their children.

#### Center for Citizenship Education

Entrepreneurial Youth is an educational programme in which 14-17 years old teenagers (seventh- and eighth-formers of primary school and secondary school students, including trade schools) gained knowledge of economics and entrepreneurship and participated in practical assignments. The students learned how to manage various resources, researched the market together, analysed risks and developed their own business ideas. The programme was created by the Centre for Citizenship Education. From 2017 to 2020 it was implemented in cooperation with the Bank and the ING for Children Foundation. For the 2019/2020 edition of the Programme, 90 student teams applied, 73 of which completed the full course ending with an online Final Conference in June 2020.

#### My Harvard Way

ING Bank Śląski S.A. continued its cooperation with the Harvard Club of Poland within the framework of the competition for junior high school, high school and university students interested in studying abroad - My Harvard Way. In 2020, the Bank promoted the contest for talented young people among its employees. On 5 June, the online My Harvard Way Awards Gala was took place. During the Gala, the winners of the 10th edition of this programme were announced.

#### Lesław Paga Foundation

In 2020, ING Bank Śląski S.A. participated in two Foundation projects: Young Innovators (YI) that took place from 12 September 2020 to 9 November 2020 and Academy of Capital Market Leaders (ALRK) from 6 July 2020 to 19 July 2020 - an educational project on the capital market educating modern management staff. Bank experts shared their knowledge with participants of both programmes.

#### Not Irresponsible

In 2020, the 8th edition of the Not Irresponsible Conference was held, with ING Bank Śląski as a supporting partner. The event was held in 3 parts online, and on 27 October, Brunon Bartkiewicz - President of the Management Board of ING Bank Śląski - took part in the Warsaw Oxford-style debate "Social inequalities drive the world forward". This year, the main topic of the meetings was JEALOUSY.

#### NOSPR AI

The Polish National Radio Symphony Orchestra in Katowice (NOSPR) in cooperation with IBM, ING Bank Śląski, Fujitsu Technology Solutions, the Katowice City Hall, and several high schools in Katowice announced the implementation of the NOSPR AI virtual chatbot. This tool enables Internet users to have a live conversation with artificial intelligence about classical music. The activation of NOSPR AI was



preceded by quality tests conducted by IBM and NOSPR project teams. In the initial training, 8860 questions were collected in less than 3 weeks. ING Bank Śląski employees asked nearly 600 questions. On the platform, you can ask questions orally or in writing, while listening to the interpretation of "The Firebird" by Igor Stravinsky and "Carnival of the Animals" by Camille Saint-Saëns performed by NOSPR in Katowice.

#### Responsible Business Forum

In 2020, ING Bank Śląski continued its partnership in the Responsible Business Forum as an institution that is committed to social responsibility and sustainability. Joanna Erdman, Vice-President of the Management Board of ING Bank Śląski, responsible, inter alia, for the implementation of the Sustainability Strategy, joined the Management Board of the Responsible Business Forum.

As part of its cooperation, ING Bank Śląski took part in the biggest CSR event in Poland - the 8th CSR Fair, this time organised online. Participation in this event was an opportunity to learn about the latest best practices and CSR initiatives, and to observe responsible business and sustainability trends. In September, Joanna Warmuz, Sustainability and CSR expert, was a speaker at a webinar "How to create and update a CSR strategy", organised by the Responsible Business Forum for partner companies. 60 companies - CSR leaders from all over Poland are strategic partners of the Responsible Business Forum.

#### Global Compact Network Poland

As part of its cooperation with the UN Global Compact in 2020, ING Bank Śląski was a partner of the programme "Standard of Ethics in Poland - Equal Business Opportunities" and "Sustainable Cities" (Climate Positive in 2021), which is intended to improve the quality of life in cities and to minimise the negative environmental footprint. In the "Sustainable cities" programme, UNGC became a partner of the "Eight myths about the circular economy" report, prepared and published by a team of ING Bank Śląski economists. In September, the bank's representative - Leszek Kąsek, senior economist from the Macroeconomic Research Bureau, participated in the Steering Committee meeting and presented the conclusions of the "Eight myths about the circular economy" report. The said report initiated a discussion about environmental activities and best practices in various manufacturing companies in Poland, represented by sustainability experts.

As part of the "Ethics Standard in Poland - Equal Opportunities in Business" programme, representatives of our bank were members of the Steering Committee and a Task Force. At the meetings the best practices as regards ensuring equal opportunities in organisations were presented. In addition, the Bank participated in the WEPs Gender Gap Analysis Tool in a part concerning gender equality management. Representatives of the Bank took the floor at panel discussions organised by the UN Global Compact and participated virtually in the United Nations General Assembly.



### 3. EDUCATION AND SUPPORT FOR CHILDREN AND TEENAGERS

#### ING Voluntary Services Programme / Good Idea

As part of our ING Voluntary Services Programme, the Bank encourages employees to be active in the fields of financial education and entrepreneurship and in local communities. The formula of the voluntary services programme is open and everyone can get involved the way they like. Our Bank ensures for every employee the option of devoting 8 hours of work per year to voluntary activities. The ING volunteers closely cooperate with ING for Children Foundation.

As part of the Good Idea contest, the ING for Children Foundation granted funding to 74 projects for local communities, associations, foundations and schools, for the total amount of PLN 416,945. We did not manage to implement all projects in 2020 due to pandemic-related constraints. When face-to-face meetings with children were not possible any longer, ING volunteers met them online. E-volunteering included individual tutoring and thematic meetings for groups. For example, the children aided by volunteers, learned how to cook and participated in environmental competitions. In total, volunteers conducted various activities for 1,822 children in 2020. In January, July and August, the foundation organised training courses for volunteers, which were attended by 52 ING employees. These trainings concerned, among others, working with children online.

#### Charity collections

Following the long-standing tradition of social initiatives, employees engaged in charity fundraisers for children. In September, they collected school supplies - Orange Schoolbag, and in December, as part of the Letter to St. Nicholas campaign, the employees prepared Christmas boxes. In December, for the second time, employees could donate unused points collected in the cafeteria plan to the ING for Children Foundation. 489 employees of the bank and companies serviced by the bank availed themselves of that possibility, which gave the amount of PLN 9,404.30. The Foundation will spend these funds for attractions for children participating in the Smile Camps in 2021.

#### Team of ING runners

In 2020 ING Bank Śląski S.A. once again worked with the organisers of the Run Warsaw event, taking on the role of General Partner of the Virtual Run Warsaw and Virtual Marching and Cheering events. 744 runners and 2218 marching employees with their families ran (10 km) and marched (5 km) in their chosen locations. As always, they donated the proceeds from their activity to the ING for Children Foundation. This time the donation totalled PLN 185,300. The money will be earmarked in 2021 for the activities of the ING for Children Foundation.

#### **ING for Children Foundation**

ING for Children Foundation pursues the social mission of ING by supporting development, education and self-reliance of children and youth.

#### Addressing the social impact of the COVID-19 pandemic

When most things are done remotely, educating, providing therapy for children with various disabilities, supporting those who are not adequately cared for at home, has become very difficult. Therefore, in spring 2020, the ING for Children Foundation donated 21 laptops and 11 printers, received from ING Bank



Śląski, as well as PLN 330,000 to be allocated primarily for the purchase of computers, but also for the work of psychologists. This aid was handed over to 51 schools and NGOs, allowing children to participate in online lessons and receive psychological support.

#### Orange Power

In 2020, the ING for Children Foundation, together with the Orange Power Ambassadors, organised a sporting event, presenting various sports and offering the participants the opportunity to try their hand. The Olympic edition of the programme took place to a large extent remotely through competitions, joint training with athletes or videos encouraging people to be active. Programme in this formula was joined by 225 students from 22 institutions which received sports equipment donated by the foundation.

#### Smile Camps

Before the pandemic, in summer and early autumn, the foundation organised in total 10 Smile Camps for 391 people at the foundation's centre in Wisła. The goal of the camps is to provide recreation, let the children see new places, but also to help them develop their social skills. Children come to Wisła in organised groups, with their teachers and mentors, who implement an educational or therapeutic programme. Each camp is adapted to the needs of each particular group.

#### Art and literature

In June, the ING for Children Foundation and the ING Polish Art Foundation announced an art competition entitled CORONTINE, in which children were asked to depict their everyday life during a pandemic or their dreams of the future. A total of 207 artworks prepared in various techniques were submitted. These works document exceptional times and show how children experienced the pandemic and what mattered to them during quarantine.

The ING for Children Foundation also encouraged children to read by donating a total of 3,003 copies of the books "Alien", "Lucjan, the Lion One of Its Kind" and "Snowman in the Fridge" (published by the ING Polish Art Foundation) to libraries, schools and various organisations.

#### 4. PROMOTION OF POLISH MODERN ART AND EDUCATION IN THAT REGARD.

##### **ING Polish Art Foundation**

The ING Polish Art Foundation was established to support Polish artists and showcase current phenomena in art. The foundation builds a collection of contemporary art and carries out artistic and educational projects. In 2020, the year of its 20th anniversary, the foundation, like other cultural institutions, carried out its activities mainly online. It has adapted its programme to the new conditions. Bearing in mind the need to support artists in this difficult year, the foundation took particular care in selecting works for the collection. In 2020, 23 new art works of 9 artists were added to the art collection.

#### Exhibitions

At the beginning of 2020, there was a jubilee exhibition of the foundation's collection at the Silesian Museum. It was called "Spirit of Nature and Other Fairy Tales". In January and February 2020, some auxiliary events took place, including guided tours with the artists, curator Marek Pokorny and Kamila



Bondar - President of the Board. Also, a discussion on "How excellent new art can be" was held. As part of the programme of loans of works from the collection, works were loaned for the following exhibitions - *Eat the Museum* in Kunst(Zeug)Haus in Rapperswil, Switzerland, *Tropical Sun Dream*. Witkacy and Zakopane at the Tatra Museum in Zakopane, and the Warsaw Under Construction Festival organised by the Museum of Modern Art in Warsaw.

#### Foundation Award

During Warsaw Gallery Weekend 2020, the Foundation Award was granted for the fourth time. In 2020, ING Polish Art Foundation Grand Prix went to Hanna Krzysztofiak for her exhibition *Napoleonka or Death* at the Polana Institute. The jury selected *The Tempest* (2020) and *Napoleonka* (2020) to the foundation collection. A Special Award went to Kamil Pierwszy running the artist-run-space: *The Heart of Man*.

#### Artist: The Professional

In 2020, the Artist-Professional project, addressed to students and novice artists, took place for the fourth time. The aim of the project is to prepare students for the difficult moment of graduating from university and starting a professional career. Due to the pandemic-related restrictions, the project was moved online. 1,280 participants took part in the online classes and over 230 people benefited from individual portfolio consultations. Recordings of the classes were viewed by several thousand people. The classes were attended not only by students from most Polish cities, but also those studying in Glasgow, Vilnius, Paris, London, Brussels, Amsterdam, Frankfurt, Bratislava and Opava. All classes were interpreted live into sign language, with 6 artists with hearing loss availing themselves of the interpretation.

#### Publications

In 2020, the Foundation handled the promotion and distribution of two publications released at the end of 2019, namely *Guide to Collecting Modern Art 2*, and an album summarising 20 years of the ING Polish Art Foundation collection. The Foundation also accomplished the first edition of the books distribution programme for *Snowman in the Fridge*, which, together with lesson plans, were distributed to 1,000 schools, libraries and community centres. This programme was carried out jointly with the ING for Children Foundation.

#### Cooperation with the Zachęta National Gallery of Art

Zachęta National Gallery of Art has been a partner of the Foundation almost since its inception. The many-year cooperation with Zachęta is based on mutual help and support. Zachęta backs the Foundation with its know-how and experience, and the Foundation makes donations to purchase works for the Zachęta collection. In 2020, the Foundation donated PLN 43,000 to purchase works by Dominika Olszowy, Zuzanna Golińska and Alicja Bielawska to the collection of the Zachęta National Gallery of Art.

#### The closest audience - ING employees and customers

As part of the Socialite programme in February 2020, the Foundation organised a meeting with the artist Stach Szumski, whose works were added to the collection. In September, three trips were organised for our employees to galleries as part of the Warsaw Gallery Weekend event. In December,



the Foundation launched two cycles of online classes: a *Lunch Course in Art History* and a series of Saturday workshops for children from the studios of artists from the Foundation's collection.

Information about the operations of the ING for Children Foundation and ING Polish Art Foundation is available in the *Management Board Report on Operations of ING Bank Śląski S.A. Group for 2020, including the Report on Operations of ING Bank Śląski S.A.* Additionally, the ING for Children Foundation and ING Polish Art Foundation publish all information on their websites. Information about current events is published on Facebook profiles of both Foundations which are open to the public, on the intranet and in *Baśka* magazine. It is also published as press releases.

### Charitable donations

In 2020, ING Bank Śląski S.A. made financial and in-kind charity donations. The Bank made 49 financial charitable donations, 16 of which were directly related to combating the coronavirus pandemic as part of additional aid directed to medical services. The donations were made to hospitals across Poland for the purchase of medical supplies and equipment. ING Bank Śląski also made 2 donations to employees fighting cancer.

Financial and in-kind charity donations were granted pursuant to the *ING Bank Śląski S.A. Donation Policy*; the Policy sets out the purposes to be supported by the Bank donations, in selected community investment areas:

- 1) operations centred around children and youth, including holidays for children and youth,
- 2) science, higher education, school system, education and schooling (including in particular financial education),
- 3) health protection and disease prevention,
- 4) financial assistance in special circumstances, where an employee or his/her family member (members) suffered damage.

Other donations included donations for actions in the field of financial education and community involvement of teenagers to the Theory-free Foundation [Zwolnieni z Teorii], to the Warsaw Banking Institute for the BAKCYL programme, to the CoderDojo Foundation for the development of ING CoderDojo (online activities). In the area of health care, additional donations were awarded to foundations which for years have been engaged in socially valuable activity to improve health, e.g. to the Professor Zbigniew Religa Foundation for the Development of Cardiac Surgery in Zabrze and the Polish Foundation of Gastroenterology.

ING Bank Śląski S.A. continued to support regional and local charities, inter alia, the Doctor Piotr Janaszek Foundation PASS IT ON, the Pomeranian Hospice Foundation for Children, the "New Home" Children's Home in Przybysławice, the "Help Them" Foundation for Children with Cancer.

In 2020, the bank also made in-kind donations in the form of decommissioned IT equipment (in good technical condition) and office furniture, mainly related to the remote learning needs of children and teenagers at home. The IT equipment donated to foundations, associations and care institutions was worth PLN 174,680.37.

In-kind donations were made following the *Procedure for the sale/ donation/ reprocessing of assets at ING Bank Śląski S.A.* The in-kind donations were mostly received by charitable organisations, schools, care institutions and the ING for Children Foundation.





### SPONSORSHIP

In 2020, ING Bank Śląski S.A. continued to be involved in sponsorship activities targeted at entrepreneurs and young people, green and electro mobility activities as well as the activities for SME and mid-corporate owners and managers. They were designed to empower people to stay a step ahead in life and in business.

The most important sponsored events were:

- 1) European Economic Congress in Katowice,
- 2) European Tech & Start-Up Days in Katowice,
- 3) Open Eyes Economy in Krakow, and
- 4) Run Warsaw event,
- 5) 75-anniversary of the Silesian University of Technology.

As the Main Sponsor of the online broadcasting, ING Bank Śląski S.A. supported the European Economic Congress in Katowice and the European Tech & Startup Days. These were one of the largest business meetings in Central Europe. This year, due to the pandemic, the meetings were held in two rounds (in May online only, and in September it was held in a hybrid formula). ING experts shared their knowledge and experience by participating in the discussion panels.

Once again ING Bank Śląski sponsored the Open Eyes Economy Summit in Krakow - the International Congress of the Economy of Values. The main topic was sustainability and the approach to climate problems. This time all the lectures and debates were held online. Also, the exhibitors made virtual stands and had online chats with event participants. OEES became the largest remote event in Poland. It was attended by as many as 3000 people from 27 countries, of which 160 were speakers, the experts from ING Bank Śląski included.

In this very special pandemic year 2020, ING Bank Śląski S.A. once again worked with the organisers of the Run Warsaw event, taking on the role of General Partner of the Virtual Run Warsaw and Virtual Marching and Cheering events. 2,962 employees and their family members ran the distances of 10 kilometres (for runners) or 5 kilometres (for marchers) in locations of their choice. The run through the streets of Warsaw was symbolic and our employees did not take part in it.

The Bank took on a role of the platinum partner in the celebrations of the 75th anniversary of the Silesian University of Technology. By doing so, the Bank had the opportunity to widely promote its image in the academic community in the Silesian region.



### **Summary of the assessment**

ING Bank Śląski S.A. conducted community service and charity activities in the top priority areas, as per the Sustainability Strategy of ING Bank Śląski S.A. for 2020-2022. A very important part of the activities was addressing the social impact of the COVID-19 pandemic. ING Bank Śląski donated a total of PLN 6,627,646 for this purpose (including PLN 4 million of assistance to medical services in the first wave of the pandemic, PLN 1 million in the second wave of the pandemic and the amount of PLN 1,627,646 donated to beneficiaries by the ING for Children Foundation).

The Bank also supported employee initiatives during the pandemic, including e-volunteering, charity collections, and engaged as a community partner in nation-wide and local projects.

The bank has *ING Bank Śląski S.A. Donations Policy* which applies to all charitable financial donations. Whereas the *Procedure for the sale/ donation/ reprocessing of assets of ING Bank Śląski S.A.* regulates the in-kind donations. These regulations ensure a process-oriented approach to donations and their effective use within charitable and social activities.

The Bank communicated its charitable actions in a transparent manner by publishing information on the current events and annual summaries in the annual report and the Integrated Report of ING Bank Śląski S.A. Multiple communication tools were used to provide internal and external stakeholders with information in an accessible form.

The above information allows us to conclude that ING Bank Śląski S.A.'s charitable and social activities policy was conducted in a rational manner keeping in mind social needs, especially the rapid and efficient response to the COVID-19 pandemic situation in 2020.

The Supervisory Board appreciates the awards and special mentions received by the Bank in the area of CSR and sustainability.

ING Bank Śląski was top ranked (ex equo with BNP Paribas Bank Polska) in the overall Ranking of Responsible Companies 2020, obtaining the maximum score, and was top ranked (ex equo with BNP Paribas Bank Polska) in the banking, financial and insurance sector category.

Once again the Bank received the 2020 Golden CSR Leaf from the POLITYKA magazine. The Bank also got an honourable mention for its involvement in actions for climate in the area of electromobility. The awards have been granted by POLITYKA for 9 years, and ING has been on their list since the first edition of their survey.

15 CSR best practices of the Bank were included in the Responsible Business Forum report. The "Responsible Business in Poland 2019. Best practices" report is the largest CSR review in Poland, with a record number of responsible business activities.



The Bank was honoured with the title of the Super Ethical Company 2019, awarded by the editors of Puls Biznesu. For the third time, the Bank was among the companies awarded for activities carried out to build and strengthen the ethics and social responsibility based organisational culture.

ING Bank Śląski received the Golden Shield - the main prize awarded by the jury of the "17 Goals" competition during the 5th edition of the Responsible Film Festival. The event is organised by the Res Severa CSR Foundation.

The Bank operates a transparent and effective information policy; details of social, charitable and sponsorship activities launched by the Bank are published in the Management Board's annual report. Thus, the Bank satisfies recommendation I.R.2 of the Code of Best Practice for WSE Listed Companies.



**Management Board information on the current**

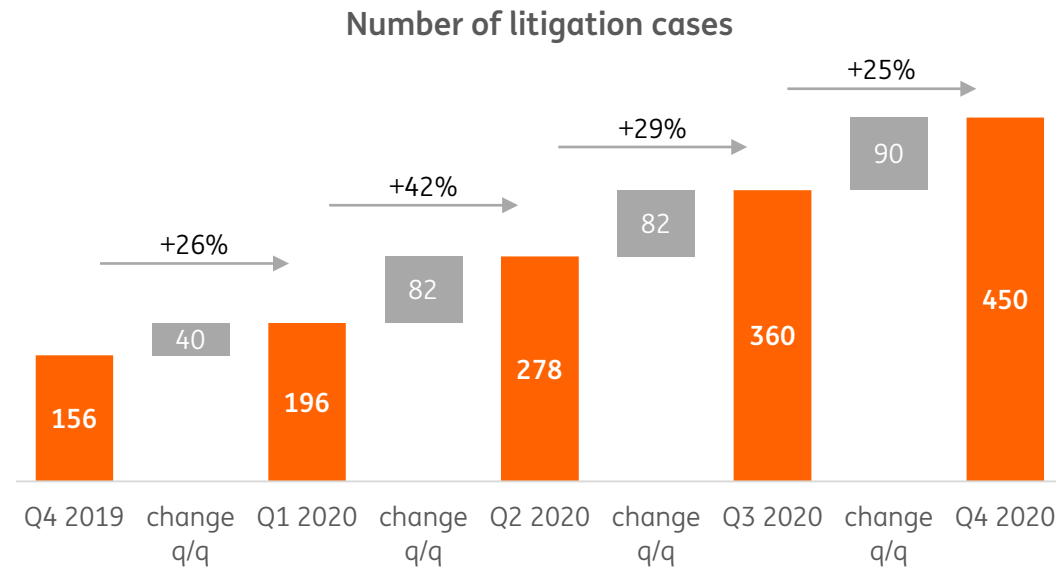
**situation on the portfolio of FX mortgage loans**

# Proposed by the Chairman of the PFSA in December 2020

- In December 2020, the Chairman of the Office of the Polish Financial Supervision Authority (“PFSA’ Office”) presented a proposal for the voluntary conversion of CHF-indexed mortgage loans into PLN loans. According to this proposal, it would be necessary to compare mortgage loans in CHF with analogous loans in PLN on the basis of the WIBOR rate plus the margin historically applied to this type of loans and to compensate CHF borrowers for the losses they suffered in comparison with PLN borrowers. In order for banks to implement this proposal, working groups were set up under the leadership of PKO BP, and the Bank set up a special team dedicated to this project.
- The Bank is currently working on a settlement offer aimed at clients with CHF-indexed loans, which would be concluded with the participation of a mediator at the arbitration court of the PFSA’ Office.
- As part of the test, the first settlement proposals were submitted to a selected group of clients, assuming that the loan was converted in CHF as if it had been granted in PLN from the outset.

# Increased number of lawsuits

- Following rulings by the Court of Justice of the European Union (CJEU) and national courts, banks have seen an increasing number of new lawsuits. In 2020, 294 lawsuits were filed against the Bank, which represents an almost 4-fold increase in lawsuits compared to 2019, where the number of lawsuits was 79. In total, by the end of 2020, 450 lawsuits were filed against the Bank, which still represents a small part of the CHF loans granted (in total, around 6,000 CHF loans were granted). In connection with the planned resolution of the Supreme Court concerning the key issues for this type of cases, a further increase in the number of lawsuits in so-called franc loans cases should be expected.



# Supreme Court Resolution

On 25 March 2021, a session of the full composition of the Civil Chamber of the Supreme Court will be held to consider the request of the First President of the Supreme Court of 29 January 2021 to adopt a resolution on the following legal issues concerning the subject of loans denominated and indexed in foreign currencies:

1. If it is held that a provision in an indexed or denominated loan agreement which refers to the manner in which the FX rate is to be determined constitutes a prohibited contractual provision and is not binding on the consumer, may it be assumed that the vision is replaced by another manner of determining the FX rate which results from legal or customary rules?

If the above question is answered in the negative:

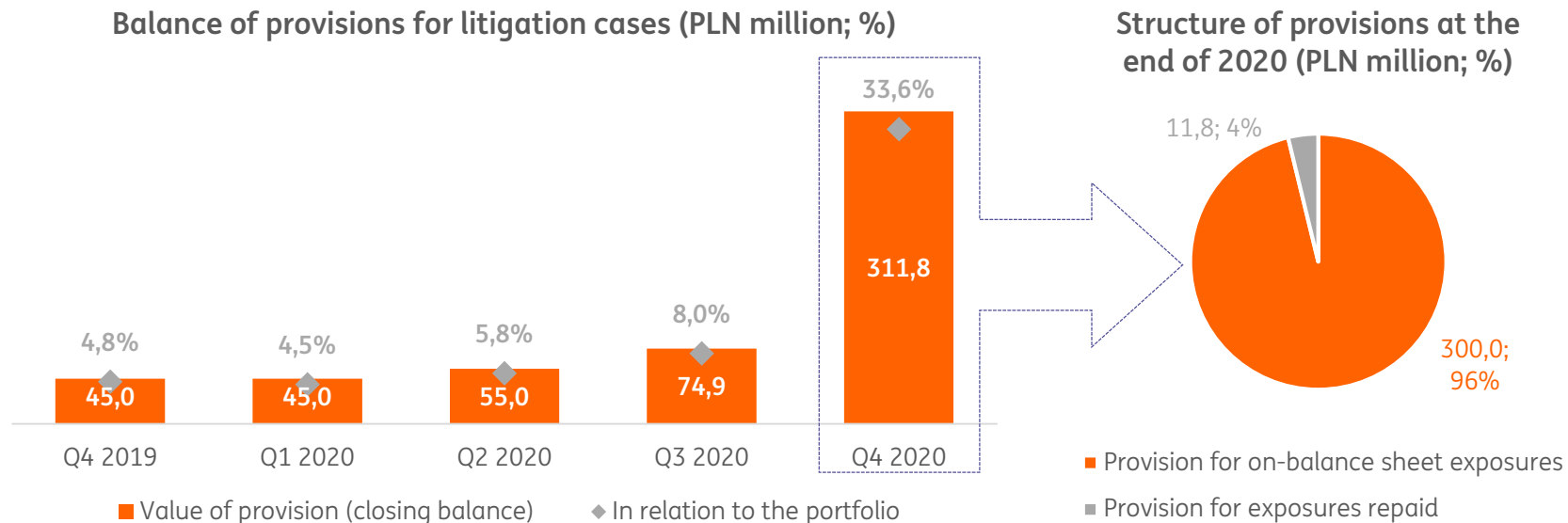
2. In the event that it is not possible to establish a FX rate binding on the parties in a loan agreement indexed to such a currency, may the agreement remain binding on the parties in the remaining scope?
3. If it is not possible to establish a FX rate binding on the parties in a loan agreement denominated in a foreign currency, may the agreement remain binding on the parties in the remaining scope?

Regardless of the content of the answers to questions 1-3:

4. If a loan agreement is invalid or ineffective, in the performance of which the bank has disbursed to the borrower all or part of the amount of the loan and the borrower has made repayments on the loan, do separate claims for wrongful performance arise in favour of each of the parties, or does a single claim, equal to the difference in performance, arise in favour of the party whose total performance was higher?
5. If a loan agreement is invalid or ineffective as a result of the unlawful nature of certain of its provisions, does the limitation period for the bank's claim for repayment of the sums disbursed under the loan begin to run from the time at which those sums were disbursed?
6. If, in the event that a loan agreement is invalid or ineffective, either party has a claim for repayment of the consideration given in performance of such agreement, may that party also claim consideration for the use of its money by the other party?

# Legal risk of FX mortgage loans

The Supreme Court ruling may affect the assumptions used in the Group's model for estimating gross carrying amount adjustments arising from legal risk for the portfolio of CHF-indexed mortgage loans reported in the statement of financial position and legal risk provisions for CHF-indexed mortgage loans already removed from the statement of financial position. In particular, it may affect the number and resolution of litigation cases and the interest of borrowers in entering into voluntary settlements regarding conversion to PLN loans. The Bank will monitor the legal situation related to the Supreme Court ruling, which may have an impact on changing the assumptions in the model for the legal risk cost of CHF-indexed loans in subsequent reporting periods.







19.03.2021 r.

19.03.2021

Do Walnego Zgromadzenia ING Banku Śląskiego S.A.    To the ING Bank Śląski S.A. General Meeting

**Rekomendacja  
Komitetu Wynagrodzeń i Nominacji  
ING Banku Śląskiego S.A.  
dla Walnego Zgromadzenia  
ING Banku Śląskiego S.A.**

**Recommendation  
of the ING Bank Śląski S.A.  
Remuneration and Nomination Committee  
for the ING Bank Śląski S.A.  
General Meeting**

Na podstawie Rozdziału III pkt. 4 ppkt. 1 Polityki oceny adekwatności członków Rady Nadzorczej, członków Zarządu oraz osób pełniących kluczowe funkcje w ING Banku Śląskim S.A. („Polityka”) i Rozdziału 2 pkt. 7 ppkt. 2 a) Procedury oceny adekwatności członków Rady Nadzorczej, członków Zarządu i Komitetu Audytu w ING Banku Śląskim S.A. („Procedura”) Komitet Wynagrodzeń i Nominacji, po zapoznaniu się z formularzami, raportem oraz certyfikatami z oceny adekwatności przeprowadzonej przez niezależny podmiot zewnętrzny, tj. firmę Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy sp. k., stwierdza, że każdy z członków Rady Nadzorczej ING Banku Śląskiego S.A., tj.:

1. Pan Aleksander Galos,
2. Pani Małgorzata Kołakowska,
3. Pan Aleksander Kutela,
4. Pan Remco Nieland,
5. Pan Antoni F. Reczek,
6. Pani Susan Poot,
7. Pan Michał Szczurek,

posiada wiedzę, umiejętności i doświadczenie odpowiednie do pełnienia funkcji członka Rady Nadzorczej ING Banku Śląskiego S.A., daje rękojmię należytego wykonywania obowiązków związanych z pełnieniem tej funkcji oraz wypełnia pozostałe wymogi określone w art. 22aa ustawy – Prawo bankowe, a tym samym spełnia kryteria adekwatności określone w Polityce.

*Pursuant to Chapter III.4.1 of the Policy for the Assessment of the Suitability of the Members of the Supervisory Board, Management Board and Key Function Holders at ING Bank Śląski S.A. (“Policy”) and Chapter 2.7.2a) of the procedure of the Suitability Assessment of the Members of the Supervisory Board, Members of the Management Board and Members of the Audit Committee of ING Bank Śląski S.A. (“Procedure”), upon reviewing the forms, the report and the certificates from the suitability assessment made by an independent third party, Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy sp. k., the Remuneration and Nomination Committee hereby attest that each and every Member of the ING Bank Śląski S.A. Supervisory Board, i.e.:*

1. Mr Aleksander Galos,
2. Ms Małgorzata Kołakowska,
3. Mr Aleksander Kutela,
4. Mr Remco Nieland,
5. Mr Antoni F. Reczek,
6. Ms Susan Poot, and
7. Mr Michał Szczurek,

*has the knowledge, skills and experience required to hold the function of a Member of the ING Bank Śląski S.A. Supervisory Board, provides assurance of proper performance of duties relating to that function and fulfils other requirements as set out in Article 22aa of the Polish Banking Law Act, and thus meets the suitability criteria set out in the said Policy.*



Jednocześnie, zgodnie z Rozdziałem III pkt. 5 ppkt. 9 i pkt 6 *Polityki* i Rozdziałem 3 pkt 4 ppkt. 2 a) *Procedury*, Komitet Wynagrodzeń i Nominacji, po zapoznaniu się z formularzami, raportem i certyfikatami z oceny adekwatności przeprowadzonej przez firmę Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy sp. k. stwierdza, że indywidualne kompetencje poszczególnych członków Rady Nadzorczej dopełniają się w taki sposób, aby umożliwić sprawowanie odpowiedniego poziomu kolegiального nadzoru nad wszystkimi obszarami Banku, a Rada Nadzorcza jako całość będzie posiadać odpowiedni poziom wiedzy, umiejętności i doświadczenia umożliwiające zrozumienie działań podejmowanych przez Bank, w tym głównych ryzyk.

W związku z powyższym Komitet Wynagrodzeń i Nominacji rekomenduje Walnemu Zgromadzeniu pozostawienie Rady Nadzorczej w aktualnym składzie i przyjęcie w stosownej uchwale powyższej oceny adekwatności indywidualnej członków Rady i zbiorowej Rady.

*At the same time, in accordance with Chapter III.5.9 and Chapter III.6. of the Policy and Chapter 3.4.2a) of the Procedure, and having reviewed the forms, the report and the certificates from the suitability assessment conducted by Deloitte Doradztwo Podatkowe Dąbrowski i Wspólnicy sp. k., the Remuneration and Nomination Committee attest that the competences of the individual Members of the Supervisory Board are complementary and allow for ensuring adequate level of collective performance of supervision duties in respect of all the business areas of the Bank and that the Supervisory Board as a whole will have adequate knowledge, abilities and experience enabling it to understand the activities taken by the Bank, including major risks.*

*Therefore, the Remuneration and Nomination Committee recommend that the General Meeting keep the current composition of the Supervisory Board and adopt the above individual and collective suitability assessments of the Supervisory Board with a relevant resolution.*

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**Aleksander Kutela**  
Przewodniczący Komitetu  
*Committee Chairman*

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**Małgorzata Kołakowska**  
Członek Komitetu  
*Committee Member*

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**Aleksander Galos**  
Członek Komitetu  
*Committee Member*

