

## V. STATEMENT ON IMPLEMENTATION OF CORPORATE GOVERNANCE PRINCIPLES

(This statement has been prepared in accordance with requirements of § 70.1 section 6 clause 5 of the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodical information submitted by issuers of securities and the conditions for recognition as equivalent of the information whose disclosure is required under the laws of a state which is not an EU Member State).

### 1. CORPORATE GOVERNANCE RULES

#### 1.1. Indication of corporate governance rules applicable to BOŚ S.A. and the place, in which it has been made available to the general public.

In 2019, BOŚ S.A. followed the corporate governance rules contained in the "Good Practices of Companies Listed on the WSE", constituting an appendix to Resolution 26/1413/2015 of the Supervisory Board of Warsaw Stock Exchange of 13 October 2015, with the exception of rules described in clause 1.2.

The scope of application of governance rules has been specified in Resolution 20/2016 of the Ordinary General Meeting of BOŚ S.A. of 23 June 2016 on the scope of application by BOŚ S.A. of the governance rules contained in "Good Practices of Companies Listed on the WSE 2016". Information on application by the Bank of recommendations and principles contained in the document "Good Practices of Companies Listed on the WSE 2016" was made available to the general public in a current report of 24 June 2016.

Both the text of "Good Practices of Companies Listed on the WSE 2016" and information on compliance of the Bank with recommendations and rules contained therein can be found in the "Investor Relations" section on the Web page of the Bank <https://www.bosbank.pl/informacje-korporacyjne/relacje-inwestorskie/lad-korporacyjny>, which also contains "Statements on application of corporate governance by BOŚ S.A." for the previous years.

In 2019, BOŚ Bank S.A. complied with the rules contained in:

- "Financial Market Good Practices", specified in Resolution 99/08 of the Polish Financial Supervision Authority of 18 March 2008,
- "Good Banking Practice Principles" specified in the Resolution of the General Meeting of Polish Banks of 18 April 2013.

Moreover, in accordance with Resolution 218/2014 of the Polish Financial Supervision Authority of 22 July 2014, "Principles of Corporate Governance for Supervised Institutions" were approved for use by individual governing bodies of the Bank:

- The Management Board of BOŚ S.A. - by Resolution 108/2018 of 8 May 2018 on acceptance of the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority;
- The Supervisory Board of BOŚ S.A. - by Resolution 31/2018 of 16 May 2018 on the scope of application by the Supervisory Board of BOŚ S.A. of the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority;
- the General Meeting of BOŚ S.A. - by Resolution 28/2018 of the Ordinary General Meeting of Bank Ochrony Środowiska S.A. of 19 June 2018 on adopting by Bank Ochrony Środowiska S.A. the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority.

The information on adoption by Bank Ochrony Środowiska S.A. of the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority has been made available on the Web page of the Bank in the "Investor Relations" section.

## 1.2. Information on non-application of selected corporate governance rules contained in the “Good Practices of Companies Listed on the WSE 2016” and “Principles of Corporate Governance for Supervised Institutions” issued by the PFSA

BOŚ S.A. informed of non-application of the following corporate governance rules introduced by Resolution 26/1413/2015 of the Supervisory Board of Warsaw Stock Exchange of 13 October 2015:

- I.Z.1. The Company runs a corporate Web page and publishes, in a readable form and in a separate location, the following information apart from information required by law:  
I.Z.1.15. information containing a description of the diversity policy of the Company in relation to the Company authorities and its key managers; the description should include such components of the diversity policy as gender, education field, age, professional experience, as well as the purposes of the diversity policy adopted and the mode of its implementation in a given reporting period; if the Company has not adopted and implemented a diversity policy, it publishes a justification for this decision on its Web page.

Explanation: diversity principles in relation to employees (including key managers) have been contained in the Work Regulations of BOŚ S.A., however, no such tool has been provided for authorities of the Company.

In performance of provisions of clause I.Z.1.15 of “Good Practices of Companies Listed on the WSE 2016”, the justification for non-application of principle I.Z.1.15 by BOŚ S.A. has been published on the Web page of the Bank [www.bosbank.pl](http://www.bosbank.pl) in the “Investor Relations” section.

- IV.Z.2. If justified by the shareholding structure of the Company, the Company ensures a publicly available real-time transmission of the general meeting.

Explanation: Principle IV.Z.2 is not applied by the Bank due to its shareholding structure, as well as technical and organizational issues. In the opinion of the Bank, the current rules of participation in general meetings enable shareholders to effectively execute all their rights attached to shares and secure the interests of all shareholders. In the future, in the case of popularization of this form of shareholder participation in general meetings among listed companies, the Bank will consider application of this corporate governance rule.

In 2019, the Bank applied all of the “Principles of Corporate Governance for Supervised Institutions” published by the PFSA with the exception of § 8.4, stating as follows: “A supervised institution, when justified by the number of shareholders, should strive for facilitating the participation of all shareholders in the meeting of the General Meeting of the supervised institution, among others, through ensuring the possibility of electronic active participation in the meetings of the General Meeting.”

The Bank has analyzed the possibility of participation of shareholders in general meetings using electronic communication tools as illustrated by the example of the Ordinary General Meeting of the Bank in year 2019. Taking into account the shareholding structure, as well as logistic and technical problems, the Management Board of the Bank has maintained its position on departure from application of § 8 section 4 of the Principles of Corporate Governance. Therefore, the Bank conduct real-time transmissions of general meetings, during which the Shareholders - using electronic communication tools - could speak, as well as vote, being away from the place of the meeting. The Articles of Association of the Bank, as well as the Regulations for General Meetings of the Bank, do not provide for participation of Shareholders in general meetings using electronic communication tools. In the future, in the case of popularization of this form of shareholder participation in general meetings among listed companies, the Management Board of BOŚ S.A. will consider application by the Bank of this corporate governance rule.

The Bank ensures transparency of its information policy with regard to the course of general meetings by recording meetings and publishing the audio recordings on its Web pages in the General Meeting tab.

## 2. INTERNAL CONTROL

### 2.1. Description of the basic characteristics of internal control and risk management systems applied in BOŚ S.A. with respect to the process of preparing financial statements

#### The internal control system

BOŚ S.A. has a Bank management system - approved by resolutions of its Supervisory Board - which includes an adequate and efficient internal control system. The internal control system supports the Supervisory Board, the Internal Audit Committee, the Management Board and employees of the Bank in proper, effective and efficient performance of their duties.

The internal control system of BOŚ S.A. encompasses a number of strictly correlated multidimensional systems for management and handling of all areas of activity of the Bank, and it is permanently and coherently embedded into the Bank management system as a whole.

The internal control system of the Bank is adapted to the organizational structure of BOŚ S.A. and includes organizational units of the Bank and its subsidiaries. The risk management and internal control system of the Bank is organized at three independent levels:

- the first level consists of risk management in the Bank's operation,
- the second level consists of at least:
  - risk management by employees occupying dedicated positions or working in dedicated organizational units, independent of risk management in operations,
  - activity of the compliance unit.
- the third level consists of activity of the internal audit unit.

In the framework of the so-called three-level structure of the internal control system, the Bank has:

- the control function, which is implemented at all three levels, in particular, the first level, that is, the Bank's operations. The control function is aimed at ensuring compliance with control mechanisms and encompasses positions, groups of employees and organizational units responsible for performance of tasks assigned to this function,
- the compliance unit functioning on the second level, apart from risk management by employees occupying dedicated positions or working in dedicated units. The aim of the compliance unit is to identify, assess, control and monitor the risk of the Bank's operation being inconsistent with the law, internal regulations and market standards, and to provide reports in this regard,
- the internal audit unit performing tasks on the third level. The internal audit unit is supposed to examine and assess, in an independent and impartial manner, the adequacy and efficiency of the risk management system and the internal control system, excluding the internal audit unit.

Effectiveness of the internal control system depends on effective functioning of each of the levels listed.

The control mechanisms existing in the Bank are used to limit probability of risk materialization, detect and adjust adverse events that have already occurred and eliminating the consequences of such events.

The Bank has put in place mechanisms to ensure independence of the internal audit unit and the compliance unit, which have been described in the Resolution of the Management Board and the Supervisory Board on the "Internal control system in BOŚ S.A."

The organizational structure of the Bank includes an organizational unit that performs the non-compliance risk management function through specific tasks, in particular: development of the non-compliance risk management policy and rules, organization of the non-compliance risk management system, identification, assessment, control and monitoring, as well as reporting of the non-compliance risk, as well as cooperation with entities of the Capital Group in the field of non-compliance risk management. In terms of organization, it is directly subordinate to the President of the Management Board of the Bank.

There is an internal audit unit at the Bank, which assesses implementation of processes and contributes to their improvements, in particular, business processes, risk management and managerial processes, as well as those embedded into control mechanisms. The internal audit unit conducts, among other things, a periodic verification of mechanisms functioning in the Bank and the associated internal control procedures. The task of the internal audit unit is independent and impartial examination and assessment of adequacy and effectiveness of the risk management system and the internal control system of the Bank (excluding the external audit unit) and its subsidiaries. The results of verification and research conducted by the internal audit unit are presented to the Management Board of the Bank, the Internal Audit Committee and the Supervisory Board as a part of annual information on efficiency of the internal control system.

Internal audit, reporting directly to the Chairman of the Management Board of the Bank, is an integral and independent component of the Bank's internal control system. Substantive supervision of the internal audit unit is exercised by the Internal Audit Committee. The task of the internal audit unit is independent and impartial examination and assessment of correctness, adequacy and effectiveness of the risk management system and the internal control system related to operations of the Bank and its subsidiaries.

In performance of its tasks, the internal audit unit operates in accordance with legal provisions and internal regulations of the Bank, as well as on the basis of good practices contained in the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors, and the Code of Ethics of the Institute of Internal Auditors, established by the IIA.

### **3. SHAREHOLDING AND RIGHTS ATTACHED TO SHARES**

#### **3.1. Shareholders holding directly or indirectly at least 5% of votes at the General Shareholders' Meeting of the Bank**

The following Shareholders had at least 5% of the total number of votes and share in capital:

- The National Fund for Environmental Protection and Water Management - holding 53,951 960 shares, which represent 58.05% of the share capital and total number of votes during the General Meeting.
- Polish Enterprises Closed-End Investment Fund for Non-Public Assets Management - holding 8 888 000 shares, which represent 8.61% of the share capital and total number of votes during the General Meeting.
- Directorate General of State Forests Management - holding 5 148 000 shares, which represent 5.54% of the share capital and total number of votes during the General Meeting.

The total number of shares and votes at the General Meeting of BOŚ is 92,947,671. All shares are ordinary bearer shares with the par value of PLN 10 each.

#### **3.2. Treasury shares**

As at 31 December 2019, the Bank held 37,775 own shares, which represent 0.04% of the share capital and 0.04% of the total number of votes at the General Meeting of the Bank, including:

- 33,095 shares, which the Bank acquired in 2012 as part of stabilization activities related to the issuance of shares of P series. The shares listed above represent 0.04% of the share capital of the Bank and the overall number of votes at the General Meeting of the Bank; at the same time, according to provisions of the Code of Commercial Companies, the Bank is not authorized to exercise the voting right based on these shares,
- 4,680 shares, which represent 0.01% of the Bank's share capital and total number of votes at the General Meeting of the Bank, acquired by the Bank in the period between 22 June and 06 July 2015 during stock exchange sessions on the prime market of WSE. These shares were acquired on the basis of Resolution 34/2015 of the General Meeting of BOŚ S.A. dated 10 June 2015 regarding share repurchase Program of BOŚ S.A., in order to offer them to the Bank's employees holding managerial positions and having a material impact on the risk profile of the Bank. Due to the existence of circumstances defined in PFSA's resolution no. 258/2011, and the variable remuneration components policy concerning employees holding managerial positions at BOŚ S.A., the Supervisory Board decided not to grant the members of the Management Board the variable remuneration for 2014, while variable remuneration for other employees holding managerial positions did not reach the threshold above which a part of the variable remuneration is paid out in shares. As a result, the shares acquired for this purpose were not allocated.

In accordance with provisions the Code of Commercial Companies, the Bank is not entitled to exercise the voting rights related to its own shares.

#### **3.3. Information on contracts relating to future changes in the shareholding structure**

The Bank has no information on agreements concerning any future changes in the shareholding structure.

### **3.4. Holders of special control rights attached to securities**

All shares of the Bank are equal and each share entitles to one vote at the General Shareholders Meeting and the same dividend rights.

### **3.5. Limitations to exercising of voting rights and to transfer of ownership of shares**

In accordance with the Bank's Articles of Association, in the event of pledging or granting the right of use a registered share, the pledgee and the pledger shall not be entitled to exercise the respective voting rights. At present, there are no registered shares in the Bank's share capital.

### **3.6. Rules of amending the Articles of Association of the Bank**

Amendments to the Articles of Association of the Bank are made by the General Meeting of the Bank. A resolution on amendment of the Articles of Association is passed by three fourths of all votes.

### **3.7. Description of the mode of action of the General Meeting and its basic scope of authorization and rights of shareholders and the manner of exercising of these rights**

The mode of convening, competences and the manner of operation of the General Meeting are specified in the Articles of Association of the Bank and the Regulations of the General Meeting:

- The General Meeting can be convened as the Ordinary or Extraordinary General Meeting.
- An Ordinary General Meeting is convened by the Management Board of the Bank within six months after the end of each fiscal year.
- The Supervisory Board has the right to convene the Ordinary General Meeting, if the Management Board has failed to convene it within the time limit required by law.
- The agenda of the Ordinary General Meeting includes:
  - consideration and approval of the statement of the Management Board on activity of the Bank and the financial statements for the previous fiscal year,
  - passing of a resolution on profit distribution or loss coverage,
  - discharging of members of governing bodies of the Bank on performance of their duties.
- The Extraordinary General Meeting can be convened as necessary by the Management Board on its own initiative or on request of the Supervisory Board or on request of shareholders representing at least one twentieth part of the share capital.
- The Supervisory Board has the right to convene the Extraordinary General Meeting if it finds such decision advisable.
- An Extraordinary General Meeting can be convened by shareholders representing at least one half of the share capital of the Bank or at least one half of all of its votes. Shareholders elect the chairperson of the Meeting.
- Convening of an Extraordinary General Meeting, as well as inclusion of specific items in the agenda of the nearest General Meeting can be demanded by shareholders representing at least one twentieth of the share capital of the Bank. Such demand must be submitted to the Management Board in writing or in electronic format. A request to add specific items to the agenda of the nearest General Meeting should be submitted no later than 21 days before the scheduled date of the General Meeting.
- A request to convene the General Meeting and to add specific items to its agenda, made by authorized entities, should be justified.
- Withdrawal from consideration of an item included in the agenda on request of shareholders or its removal from the agenda requires a resolution of the General Meeting, passed by the majority of 3/4 of all votes, upon the consent of all voters present during the General Meeting.

Competences of the General Meeting include in particular:

- consideration and approval of the statement of the Management Board on activity of the Bank and the financial statements of the Bank,
- consideration and approval of the statement of the Management Board on activity of the Capital Group



- of the Bank and the consolidated financial statements of the of the Capital Group of the Bank,
- passing of the resolution on profit distribution or loss coverage,
  - consideration and approval of the report on activity of the Supervisory Board,
  - discharging of members of governing bodies of the Bank of their duties,
  - appointing and dismissal of members of the Management Board,
  - passing of the policy of assessment of adequacy of candidates for members of the Supervisory Board and members of the Supervisory Board, as well as assessment of adequacy of candidates for members of the Supervisory Board and members of the Supervisory Board,
  - amending of the Articles of Association of the Bank
  - authorization of the Supervisory Board to approve the uniform text of the amended Articles of Association or to introduce significant editorial amendments as specified in the resolution of the General Meeting,
  - passing of resolutions to raise or decrease the share capital,
  - passing of resolutions to issue exchangeable bonds or bonds with pre-emptive right,
  - decisions to establish or release funds, referred to in § 36 par. 1, of the Articles of Association of the Bank,
  - passing of resolutions on combination, disposal or liquidation of the Bank,
  - appointment of liquidators and determination of their remuneration,
  - establishment of rules for determining remuneration of members of the Supervisory Board and the Management Board,
  - determination of the Supervisory Board Members' remuneration;
  - passing of resolutions concerning other matters as presented by the Management Board and the Supervisory Board or shareholders in accordance with the Code of Commercial Companies, the Banking Law Act and the Articles of Association of the Bank.

Participation in the General Meeting, validity of the General Meeting, mode of passing resolutions and voting:

- Shareholders may participate in a General Meeting in person or through the agency of their authorized plenipotentiaries.
- Powers of attorney for participation in the General Meeting should be issued in writing or in electronic format and attached to the minutes of the General Meeting.
- Electronic format of a power of attorney granted is considered to be a statement of the shareholder, contained in an integral text document, which allows for identification of the author of such statement.
- A shareholder may not, through an authorized plenipotentiary or in person, vote on resolutions concerning their liability to the Company of any kind, including discharge from duties to the Company and any litigations between such shareholder and the Bank. However, such shareholder, acting as an authorized plenipotentiary of another person, may vote on passing of resolutions that are of concern to them.
- Subject to cases referred to in the Code of Commercial Companies or the Articles of Association of the Bank, a General Meeting is valid regardless of the number of shares represented.
- Resolutions are passed by the ordinary majority of votes, unless provisions of the Code of Commercial Companies or the Articles of Association of the Bank provide for more strict voting rules.
- Voting during a General Meeting is open.
- A secret voting is ordered for elections and requests for dismissal of members of the Bank's governing bodies or liquidators, for charging them with liability, as well as in personal matters. Moreover, a secret voting is obligatory if demanded even by one of the shareholders present or represented during the General Meeting.
- The General Meeting may pass a resolution on revoking of secrecy of voting in matters relating to appointment of any committee by the General meeting.

A General Meeting is opened by the chairman or vice chairman of the Supervisory board, or another member of the Supervisory Board. If these persons are not present, the General Meeting is opened by the President of the Management Board or any other person appointed by the Management Board. The General Meeting elects the chairman of the Meeting from among persons authorized to participate in the General Meeting. Minutes of the General Meeting are prepared in accordance with provisions of the

Code of Commercial Companies.

Cancellation or change of date of the General Meeting take place in the same manner as its convening.

## **4. GOVERNING BODIES OF THE BANK**

### **4.1. General Meeting of the Bank**

Description of the mode of action of the General Meeting of the Bank and its basic scope of authorization and rights of shareholders and the manner of exercising of these rights has been provided in clause 3.7.

### **4.2. Supervisory Board of the Bank**

As at 31 December 2018, composition of the Supervisory Board was as follows:

- 1) Wojciech Piotr Wardacki - Chairman
- 2) Andrzej Grzegorz Matysiak – Vice-Chairman
- 3) Emil Ślężak – Secretary

Members:

- 4) Iwona Beata Duda
- 5) Janina Kazimiera Goss
- 6) Piotr Sadownik
- 7) Marian Szolucha
- 8) Dariusz Wasilewski

The 10th term of office of the Supervisory Board ended on 18 June 2019. The Ordinary General Meeting of the Bank appointed the Supervisory Board for the 11th term of office consisting of ten members:

As at 31 December 2019 composition of the Supervisory Board was as follows

- 1) Wojciech Wardacki – Chairman
- 2) Katarzyna Lewandowska – Vice-Chairman
- 3) Andrzej Matysiak – Secretary

Members:

- 4) Iwona Duda
- 5) Janina Goss
- 6) Ireneusz Purgacz
- 7) Radosław Rasala
- 8) Piotr Sadownik
- 9) Paweł Sałek
- 10) Emil Ślężak

In association with resignation from the function of Vice-President of the Management Board by Mr. Konrad Raczkowski, Mr. Emil Ślężak, Member of the Supervisory Board, was delegated in 2019 to temporarily act as a Member of the Management Board of the Bank (until 3 November 2019).

Until the date of preparation of this information, composition of the Supervisory Board has not changed.

### **The rules of operation of the Supervisory Board of the Bank**

In accordance with provisions of the Articles of Association of the Bank, the Supervisory Board consists of natural persons elected by the General Meeting for a joint term of office, with no less than 5 and no more than 11 members. The joint term of office of the Supervisory Board is three years. The number of terms of office is not limited. The Supervisory Board elects a chairman, a vice-chairman and a secretary from among its members.

Mandates of members of the Supervisory Board expire as of the date of the General Meeting approving the report on activity and the financial statements for the last full fiscal year of performing functions as a member of the Supervisory Board. Mandates of members of the Supervisory Board also expire due to their death, resignation or dismissal from the Board. Supervisory Board members can be dismissed prior to the end of their term of office and other persons can be elected in their place. In the case of dismissal, resignation or death of a member of the Supervisory Board during their term of office, until

the vacancy has been filled, the Board may continue to work, provided that it comprises of no less than 5 persons.

The Supervisory Board exerts continuous supervision of all fields of operation of the Bank. The Supervisory Board performs its duties collectively, however, it may delegate its members to perform specific supervisory duties independently.

In its activity - to the extent applicable to the supervisory body - the Supervisory Board complies with standards based on:

- corporate governance rules, specified in the “Good Practices of Companies Listed on the WSE”, issued by the Supervisory Board of the Warsaw Stock Exchange,
- the “Principles of Corporate Governance for Supervised Institutions”, issued by the Polish Financial Supervision Authority.

The Supervisory Board performs regular assessments of application by the Bank of the “Principles of Corporate Governance for Supervised Institutions”, including compliance with the independence criteria by its members, and the results of such assessments are made available on the Web page of the Bank and delivered to other governing bodies of the Bank.

Competences of Supervisory Board include in particular:

- approval of the strategy of action of BOŚ S.A. and the Bank’s annual financial plans,
- approval of the general acceptable risk level specified by the Management Board of the Bank and strategies for management of the Bank and risk management approved by the Management Board of the Bank,
- approval of the policy for estimation of internal capital and capital management,
- approval of the remuneration policy,
- approval of the compliance policy of the Bank,
- approval of the information policy rules of the Bank,
- approval of resolutions of the Management Board, concerning the Bank’s organizational structure, provided that the competences to create and liquidate organizational units of the Bank are within the scope of competences of the Management Board,
- informing the PFSA of composition and changes in composition of the Management Board immediately after it has been appointed or its composition has changed, as well as of Members of the Management Board, who, according to the structure of competences, are responsible in particular for risk management and the internal audit unit,
- assessment of the report of the Management Board on operations of the Bank and the financial statements for the previous fiscal year with regard to their compliance with the books, documents and the actual conditions and requests of the Management Board concerning profit distribution or loss coverages, as well as submission to the General Meeting of an annual written report on results of this assessment,
- assessment of the report of the Management Board on operations of the Capital Group of the Bank and the financial consolidated statements of the Capital Group for the previous fiscal year with regard to their compliance with the books, documents and the actual conditions, as well as submission to the General Meeting of an annual written report on results of this assessment,
- determination of conditions of employment, as well as conditions of legal relationships other than the employment relationship, for members of the Management Board of the Bank, subject to §10 clause 15 of the Articles of Association,
- approval of the regulations for granting credits, cash loans, bank guarantees or sureties to members of the Bank’s governing bodies and persons occupying managerial positions at the Bank, as well as other persons listed in art. 79 of the Banking Law Act,
- passing of resolutions concerning consent for granting credits, cash loans, bank guarantees or sureties to members of the Bank’s governing bodies and other persons listed in art. 79a of the Banking Law Act,
- approval of requests of the Management Board of the Bank concerning acquisition of stocks and shares in companies of nominal value exceeding in total with stocks and shares in these companies already owned by the Bank the equivalent of 5% of the share capital of the Bank, excluding shares of companies admitted to public trading,



- selection of the independent auditor to conduct an audit of the financial statements and other experts,
- supervision of introduction at the Bank of a management system, which consists of the risk management system and the internal control system, as well as assessment of adequacy and efficiency of these systems,
- assessment of periodic information on the banking risk level and the quality of management of this risk,
- assessment of periodic information on irregularities found and conclusions based on internal audits conducted, as well as activities conducted for the purpose of their elimination or implementation,
- approval of the mode of commencement and termination of the employment relationship with persons managing the internal audit unit and the compliance unit, as well as approval of remuneration of these persons,
- approval of the policy for assessment of adequacy of candidates for members and members of the Management Board, as well as assessment of adequacy of candidates for members and members of the Management Board,
- approval of the internal structure of competences of the Management Board,
- approval of the internal audit unit regulations (internal unit card) and approval of the internal unit plan;
- approval of regulations of the compliance unit and its annual action plans.

Moreover, the competences of the Supervisory Board include:

- establishment of employment relationships with members of the Management Board by concluding the proper contracts. The Supervisory Board may authorize the chairman of the Board to conclude such agreements on the terms and conditions approved in each individual case by the Board,
- preparation of an annual report on activity of the Board with a concise assessment of the Bank's condition (including assessment of the internal control system and the system for management of risks that are of significance for the Bank) for submission to the General Meeting for approval,
- analysis and assessment of information received from the Management Board on any issues significant from the perspective of the Bank's operations,
- supervision of functioning of the Bank's internal control and risk management systems, as well as the course of financial reporting, including:
  - appointment of the Internal Audit Committee, passing of the regulations to specify the organization and tasks of this Committee, as well as its composition,
  - approval of the Bank's internal regulations, concerning in particular: the functioning of the Bank's internal control system, functioning of the risk management system in the Bank and management of individual types of banking risk,
  - analysis and assessment of periodic reports presenting the results of the internal audits conducted,
  - analysis and assessment of periodic information on effectiveness of the internal control system,
  - analysis and assessment of periodic reports on risks associated with the operations conducted and the modes of management of these risks,
  - analysis and assessment of annual reports of the Management Board on operations of the Bank and its Capital Group,
  - analysis and assessment of annual financial statements of the Bank and its Capital Group, as well as information from the auditor, concerning the course and results of audits of these statements,
- appointment of the Remuneration and Nomination Committee, passing of the regulations to specify the organization and tasks of this Committee, as well as its composition,
- appointment of the Ecology Committee, passing of the regulations to specify the organization and tasks of this Committee, as well as its composition,
- appointment of the Risk Committee, passing of the regulations to specify the organization and tasks of this Committee, as well as its composition,
- consideration of applications of the Management Board, concerning the intention of the Bank to enter into significant contracts/ transactions with related entities, with the exception of typical transactions

- conducted in accordance with market terms and conditions within the framework of business operations with a related entity, in which the Bank holds a majority of share capital,
- development of the annual plan of work of the Supervisory Board,
  - supervision of compliance of the Bank with its obligations related to acts referred to in art. 70 section 2 of the act on trade in financial instruments.

Meetings of the Supervisory Board are convened by the chairman as necessary, at least once in every quarter.

Members are notified of the time, place and agenda of the Board meeting in writing, at least 7 days prior to the meeting date, at the same time receiving the materials to be included in the agenda.

Requests for convening of a Board meeting can be submitted to the chairman by all members of the Supervisory Board, as well as the Management Board of the Bank. In such case, the Chairman of the Board convenes a meeting within two weeks from receipt of the request. The Chairman of the Supervisory Board - on a justified request of a Supervisory Board member, the president of the Management Board or the Management Board of the Bank, as well as on their own initiative - may convene a Board meeting urgently, specifying the time, place and agenda of the meeting.

The Supervisory Board considers matters included in the agenda and makes decisions by passing resolutions. Resolutions of the Supervisory Board may be passed, if at least one half of all members are present, including the chairman or the deputy chairman, and all of its members have been invited.

Resolutions of the Supervisory Board on appointment and dismissal of the Management Board members are passed by 2/3 of all votes. Other resolutions of the Supervisory Board - unless the legal provisions in force state otherwise - are passed by an ordinary majority of votes. In the event of equal split of votes, the Chairman's vote prevails.

Members of the Supervisory Board may participate in passing resolutions (except for voting on any personal matters and those introduced into the agenda during the Board meeting) in writing through the agency of other Board members or using remote communication tools.

Under exceptional circumstances, the Supervisory Board may adopt resolutions apart from meetings, in writing or by means of remote communication. A resolution is valid, if all members of the Board have been notified of the content of the draft resolution and at least one half of all members have voted, including the chairman or the deputy chairman.

The first meeting of the Supervisory Board in a new term of office is convened by the president of the Management Board of the Bank. The objective of the first meeting of the Supervisory Board in a new term of office is to set up the Board.

The detailed competences, rules of functioning and tasks of the Board have been specified in §§ 17 - 20 of the Articles of Association of the Bank and in the Regulations of the Supervisory Board (these documents are available on the Web page of the Bank [www.bosbank.pl](http://www.bosbank.pl) in the "Investor Relations" section).

The Supervisory Board of the Bank appoints from among its members the Internal Audit Committee, the Remuneration and Nomination Committee, the Ecology Committee and the Risk Committee. The Board members may also form other committees.

### **The Internal Audit Committee**

At the Bank, there is the Internal Audit Committee, appointed on the basis of resolution of the Supervisory Board, which exerts direct supervision over the internal audit unit and monitors the adequacy and efficiency of the internal control system, including the internal audit unit and the compliance unit.

The Internal Audit Committee is a consultative body, which supports the Supervisory Board in the field of the Bank management system, in particular, the internal control system and the course of financial reporting and performance of financial audit activities.

In 2019, the Committee performed the tasks defined as belonging to the Audit Committee, among others, in the following documents:

- the Act of 11 May 2017 on auditors, audit firms and public oversight,
- the Articles of Association of Bank Ochrony Środowiska S.A.
- Resolutions of the Bank's Supervisory Board.

Moreover, in year 2019, the Internal Audit Committee followed in its activity the guidelines contained in:

- 1) Recommendation H of the Polish Financial Supervision Authority on the internal control systems of banks,
- 2) Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of internal capital assessment in banks,
- 3) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities,
- 4) Good Practices of Companies Listed on the WSE 2016,
- 5) Recommendations and guidelines of the PFSA on functioning of the Audit Committee,
- 6) Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive,
- 7) Act of 29 July 2005 on trade in financial instruments (Journal of Laws of 2017, item 1768 as amended) with secondary legislation, including, in particular, the regulation of the Minister of Finance of 29 May 2019 on specific technical and organizational conditions for the investment companies, banks, as referred to in art. 70. point 2 of the Act on Trade in Financial Instruments, and trust banks (Journal of Laws of 2018, item 1111).

The main tasks of the Internal Audit Committee include in particular:

- monitoring of:
  - the financial reporting process,
  - efficiency of internal control systems and risk management systems, as well as internal audit, including efficiency of financial reporting,
  - performing of financial audit tasks, in particular, audits conducted by audit firms, taking into account all conclusions and findings of the Audit Supervision Committee based on inspections conducted at audit firms,
- control and monitoring of independence of the auditor and auditor firm, in particular, if any services other than audit are rendered by the audit firm on behalf of the Bank,
- informing the Supervisory Board of results of the audit and clarifying how the audit has contributed to credibility of financial reporting of the Bank, as well as the role of the Committee in the audit process,
- assessment of independence of the auditor and granting consent to performance by the auditor of approved services other than financial audit.
- development of the policy for selection of the audit company to conduct the audit,
- development of the policy of rendering of approved services other than audit by the audit firm conducting the audit, by entities associated with this audit firm and by a member of the network of the audit firm,
- specification of the procedure of selection of the auditing firm by the Bank,
- substantive supervision of activity of the internal audit unit, in particular, supervision of proper placement of the internal audit unit in the organizational structure of the Bank, allowing it to retain independence of action in accordance with the supervisory regulations.

#### **Composition of the Committee and its changes in the last fiscal year**

In 2019, the function of the Chairman of the Internal Audit Committee was performed at all times by the Chairman of the Supervisory Board of the Bank. Composition of the Internal Audit Committee throughout the year underwent changes, that is:

- 1) from 1 January 2019 until 1 July 2019, on the basis of Resolution 3/2018 of the Supervisory Board of the Bank of 21 February 2018, the composition of the Internal Audit Committee was as follows:
  - Wojciech Wardacki – Chairman of the Committee,
  - Iwona Duda- Deputy Chairman of the Committee,
  - Emil Ślężak - Member of the Committee,
  - Marian Szołucha - Member of the Committee.
- 2) from 2 July 2019 until 31 December 2019, on the basis of Resolution 30/2019 of the Supervisory Board of the Bank of 2 July 2019, the composition of the Internal Audit Committee was as follows:
  - Wojciech Wardacki – Chairman of the Committee,
  - Emil Ślężak - Deputy Chairman of the Committee,
  - Iwona Duda- Member of the Committee,
  - Katarzyna Lewandowska – Member of the Committee,
  - Ireneusz Purgacz - Member of the Committee.

The Chairman and Members of the Internal Audit Committee submitted a statement to the Bank in accordance with the act of 11 May 2017 on independent auditors, auditing firms and public supervision, informing of their compliance with requirements of:

- 1) qualifications and independence criteria,
- 2) knowledge and skills in the field of accounting or audit of financial statements,
- 3) knowledge and skills in the field of banking.

On the basis of Resolution 27/2019 of 18 June 2019, the Supervisory Board of the Bank delegated a Board member, Mr. Emil Ślązak, until no later than 18 September 2019, to act temporarily as a Member of the Management Board of the Bank.

In 2019, meetings of the Internal Audit Committee were convened as necessary, however, at least once in every quarter. In 2019, there were 10 meetings of the Internal Audit Committee. In association with Resolution 27/2019 of the Supervisory Board of 18 June 2019, Mr. Emil Ślązak did not participate in three meetings of the Committee, held from July until September 2019, as a Deputy Chairman of the Committee, but as a Vice President of the Management Board of the Bank.

### **The Risk Committee**

On 7 January 2016, the Supervisory Board adopted Resolution 9/2016, appointing the Risk Committee, which consisted of Members of the Supervisory Board of the Bank. The Risk Committee supports the Supervisory Board in supervision of risk. The Committee performs the tasks provided for in the Act of 29 August 1997 - Banking Law Act (JoL 2019.2357, that is, of 2019.12.05) in the Articles of Association of the Bank and in resolutions of the Supervisory Board.

Performing its main tasks, the Committee in particular:

- 1) issues comprehensive opinions on the current and future readiness of the Bank to take risks, including:
  - receiving of periodic reports/ information from the Management Board of the Bank on key events that influence the risk level at the Bank and substantial changes in the risk management process and system,
  - receiving periodic reports/information from the Management Board of the Bank on the risk level, increased exposure to specific risks, the modes of risk identification and monitoring and actions taken to mitigate risks;
- 2) issuing opinions on the risk management strategy developed by the Management Board of the Bank for the Bank and information submitted by the Bank concerning implementation of this strategy;
- 3) supporting the Supervisory Board of the Bank in supervision of implementation of the risk management strategy in operations of the Bank by top-level management;
- 4) verifying whether the prices of assets and liabilities offered to clients take fully into account the Bank's business model and risk strategy, and if these prices fail to properly reflect the risk types in accordance with this model and strategy, presenting to the Management Board of the Bank the proposals aimed at ensuring adequacy of asset and liability prices to these types of risk.

As at 31 December 2019 composition of the Risk Committee was as follows

- Emil Ślązak - Chairman of the Committee,
- Iwona Duda- Deputy Chairman of the Committee,
- Katarzyna Lewandowska – Member of the Committee,
- Radosław Rasala - Member of the Committee
- Wojciech Wardacki – Member of the Committee.

### **Committee for Remuneration and Nomination**

The Remuneration and Nomination Committee has been appointed from among members of the Supervisory Board to perform tasks specified i.a. in:

- art 22aa. of the Banking Law Act - with regard to the policy of assessment of adequacy of candidates and members of: the Supervisory Board and the Management Board of the Bank, respectively,
- Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and internal control system, remuneration policy and detailed method of internal capital assessment, provided for this Committee - in terms of the remuneration policy,

in particular, including:

- with regard to the policy of assessment of adequacy of candidates for members of the Supervisory Board and members of the Supervisory Board:
  - issuing of opinions on the draft assessment policy and amendments to this policy,

- submitting to the General Meeting a report on audit of the documentation gathered and verification of credibility in order to assess the adequacy of a candidate for a member of the Supervisory Board or a member of the Supervisory Board of the Bank,
- presenting to the General Meeting proposals for individual assessment of adequacy of candidates for members of the Supervisory Board or members of the Supervisory Board, as well as proposing collective adequacy assessment of the Supervisory Board,
- delivery of feedback to persons being assessed on the assessment results,
- with regard to the policy of assessment of adequacy of candidates for members of the Management Board and members of the Management Board:
  - issuing of opinions on the draft assessment policy and amendments to this policy,
  - submitting to the Supervisory Board, a report on audit of the documentation gathered and verification of credibility in order to assess the adequacy of a candidate for a member of the Management Board or a member of the Supervisory Board of the Bank,
  - presenting to the Supervisory Board of proposals for individual assessment of adequacy of candidates for members of the Management Board or members Management Board, as well as proposing collective adequacy assessment of the Management Board,
  - delivery of feedback to persons being assessed on the assessment results,
- with regard to the policy of assessment of candidates for key functions at the Bank or persons entrusted with these functions - issuing of opinions on the draft assessment policy and amendments to this policy,
- with regard to the remuneration policy - issue of opinions and monitoring of the Bank's remuneration policy and supporting the Bank's governing bodies in shaping and implementation of this policy by:
  - issuing of opinions on the list of persons exerting key impact on the Bank's risk profile and its annual updates,
  - determination of remuneration of the Management Board members, including the amount and components of variable remuneration, factors shaping variable remuneration and criteria for assessment of work results and recommending these to the Supervisory Board,
  - recommending to the Supervisory Board to award, limit, withdraw, refuse payment or proceed with payment of variable remuneration for the Management Board members,
  - issuing of opinions on variable remuneration levels for persons occupying key managerial positions at the Bank, related to risk management and maintaining compliance of the Bank's operations with legal provisions and internal regulations,
  - issuing of opinions and monitoring of variable remuneration of persons occupying managerial positions, responsible for risk management at the first and second level, other than specified in letter d,
  - issuing of opinions on the remuneration policy of the Capital Group BOŚ S.A. and issue of opinions on assessments of significance of impact of subsidiaries on the Bank's risk profile.

In 2019, the Committee for Remuneration and Nomination consisted of the following members:

In the period between 1 January and 18 June 2019 (end of the 10th term of office of the Supervisory Board):

Piotr Sadownik - Chairman of the Committee,  
Dariusz Wasilewski - Deputy Chairman of the Committee,  
Janina Goss - Member of the Committee.

From 2 July 2019\*:

Piotr Sadownik - Chairman of the Committee,  
Ireneusz Purgacz - Deputy Chairman of the Committee.  
Janina Goss - Member of the Committee.

Meetings of the Remuneration and Nomination Committee are convened as necessary, however, at least twice a year. In the reporting period, 10 meetings of the Committee were convened.

\*On 18 June 2018, the 11th term of office of the Supervisory Board was commenced, and composition of the Remuneration and Nomination Committee was determined on 2 July 2019.



### The Ecology Committee

The Ecology Committee is a body appointed by the Supervisory Board of the Bank to support its activities. In accordance with the Regulations, basic tasks of the Ecology Committee include:

- issuing of opinions and recommendations for the Supervisory Board with regard to quarterly reports on pro-ecological activity of the Bank and initiatives in this regard, as well as directions of financing of pro-ecological projects, developed by the Bank,
- supporting of cooperation of the Bank with the National and Voivodship Funds for Environmental Protection and Water Management and other organizations working on behalf of environmental protection,
- recommendations for the Supervisory Board and the Management Board on development of pro-ecological bank products.

In 2019, the Ecology Committee comprised of the following members:

In the period between 1 January and 18 June 2019 (end of the 10th term of office of the Supervisory Board):

Andrzej Matysiak - Chairman of the Committee,  
Dariusz Wasilewski - Deputy Chairman of the Committee  
Janina Goss - Member of the Committee

From 2 July 2019:

Andrzej Matysiak - Chairman of the Committee,  
Paweł Sałek - Deputy Chairman of the Committee  
Radosław Rasafa - Member of the Committee  
Janina Goss - Member of the Committee

Meetings of the Ecology Committee are convened as necessary by the Chairman of the Committee. Four sessions of the Ecology Committee took place in 2019. The issues discussed pertained mainly to development of pro-ecological activity of the Bank and the potential directions of cooperation with funds for environmental protection and water management.

### 4.3. Management Board of the Bank

#### Information on changes in composition of the Management Board of the Bank in year 2019

The composition of the Bank's Management Board as at 31 December 2018 was as follows:

- Bogusław Białowąs, President of the Management Board,
- Arkadiusz Garbarczyk, Vice President - First Deputy President of the Management Board,
- Konrad Raczkowski, Vice-President of the Management Board.

In year 2019, the following changes took place in the composition of the Management Board of the Bank:

- on 18 June 2019, Mr. Konrad Raczkowski submitted a statement of resignation as at this date from the function of the Vice President of the Management Board of the Bank;
- in association with this resignation, during the meeting of 18 June 2019, the Board of Supervisors delegated Mr. Emil Ślązak, Member of the Supervisory Board, to act temporarily as a Member of the Management Board of Bank Ochrony Środowiska S.A.;
- during the meeting of 11 September 2019, the Board of Supervisors passed a resolution to appoint Mr. Jerzy Zań – as at 4 November 2019 – as a Vice President of the Management Board of the Bank.

In association with the above changes, the composition of the Bank's Management Board as at 31 December 2019 was as follows:

- Bogusław Białowąs, President of the Management Board,
- Arkadiusz Garbarczyk, Vice President - First Deputy President of the Management Board,
- Jerzy Zań, Vice President of the Management Board.

Until the date of preparation of this information, composition of the Management Board has not changed.

The rules of functioning, competences and tasks of the Management Board been specified in §§ 21 - 23 of the Articles of Association and in the Regulations of the Management Board (these documents are available on the Web page of the Bank [www.bosbank.pl](http://www.bosbank.pl) in the "Investor Relations" section).

Accordingly with provisions of the Articles of Association of the Bank, the Management Board of the Bank consists of at least three members being natural persons, including: the president of the Management Board, the vice president - first deputy of the president of the Management Board and other vice presidents or other members of the Management Board.

The Management Board deals with affairs of the Bank and represents the Bank in its external relations. The Management Board operates collectively and makes decisions by passing resolutions.

The Management Board follows the corporate governance rules specified in:

- the "Good Practices of Companies Listed on the WSE", issued by the Supervisory Board of the Warsaw Stock Exchange,
- the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority.

The Management Board announces any departures from these rules in accordance with the provisions contained in these documents.

Resolutions of the Management Board are passed during meetings convened in accordance with the Regulations of the Management Board:

- resolutions are adopted by an ordinary majority of votes. In the event of equal split of votes, the President of the Management Board's vote prevails. Resolutions are passed openly unless a request has been submitted for voting by secret ballot or separate regulations require voting by secret ballot.
- Resolutions can be adopted, if all members of the Management Board have been notified of the meeting of the Management Board, and at least one half of all members participate in the meeting, including the President of the Management Board, or - upon their absence - the Vice-President, First deputy of the President of the Management Board, or any other Management Board member as specified by the President,
- A Management Board member disagreeing with the resolution adopted may put on the record their justified separate opinion. However, this does not release such member from the obligation to comply with the resolution adopted by the Management Board,
- A Management Board member must not participate in voting on matters that concern them personally, including matters, in which there is a conflict between the interests of the Bank and personal interests of the Management Board member, their spouse or relatives,
- meetings of the Management Board are recorded in form of minutes.

Meetings of the Management Board are convened by President of the Management Board as necessary, at least twice a month. The President of the Management Board - on a justified request of a Management Board member - may convene a Board meeting urgently, specifying the time, place and agenda of the meeting.

Meetings of the Management Board are attended by its members, as well as persons invited by the President of the Management Board. In justified cases, upon the consent of the president of the Management Board, members absent during the meeting may participate in the meeting or cast their votes on resolutions using tools that enable simultaneous real-time communication and mutual identification of members of the Management Board (video conference/ teleconference). During meetings of the Management Board, the president of the Management Board presents the agenda for acceptance, manages the meeting, permits speakers, decides on procedural issues, summarizes the discussion results, formulates resolutions, recommendations and conclusions. When justified by business or formal and legal reasons, a member of the Management Board may - upon the consent of the president of the Management Board - present an issue to be added to the agenda of the meeting.

In the case of expiry of mandate of the President of the Management Board due to their death, resignation or dismissal from the Management Board, until appointment of a new president, the person responsible for managerial functions and managing of overall operations of the Bank is the Vice-President, First deputy of the President of the Management Board, appointed with the consent of the Polish Financial Supervision Authority.

During absence of the President of the Management Board, the person responsible for managerial functions and managing of overall operations of the Bank (excluding establishment and termination of proper employment relationships with managing directors, directors of organizational units of the Central Office and business center directors) is the Vice-President, First deputy of the President of the Management Board or any other member of the Management Board as specified by the President, of the Management Board. Vice Presidents or members of the Management Board supervise their entrusted areas of operations of the Bank, in accordance with the internal structure of competences established by the Management Board and approved by the Supervisory Board, as well as the

organizational units of the Central Office grouped in individual areas of operation, in accordance with the regulation of the President of the Management Board on the scope of management of the Bank's operations by individual members of the Management Board of the Bank.

## **5. CONFLICT OF INTEREST IN BOŚ S.A.**

The Bank has put in place provisions on handling of conflicts of interests, including the rules for preventing conflicts of interests. Regulations of the Management Board and the Supervisory Board specify the rules of exclusion of members of these bodies from participation in treatment of issues and making of decisions that involve a conflict of interests. In the case of emergence or potential emergence of a conflict of interests, the persons concerned are obliged to disclose this fact.

Moreover, the Bank has set up internal regulations on acceptance of benefits or gifts that could influence the impartiality and neutrality in decision-making processes involving clients or entities cooperating with the Bank.

## **6. THE REMUNERATION POLICY IN BOŚ S.A.**

### **6.1 The remuneration policy for managers of BOŚ S.A.**

In order to meet the requirements defined in the Regulation of the Minister of Development and Finance of 6 March 2017 on the system of risk management and internal control system, remuneration policy and detailed method of calculating internal capital in banks as well as in accordance with the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, BOŚ Group implemented remuneration policy for managers approved by the Supervisory Board of BOŚ S.A.

The Remuneration Committee appointed by the Supervisory Board of the Bank evaluates remuneration Policy, gives opinion on and develops the principles of remuneration of the Management Board and gives opinion on and monitors the variable remuneration of persons occupying managerial positions in the Bank responsible for risk management at the second level, persons responsible for managing the compliance unit and internal audit unit.

The remuneration policy assumes, among others:

- payment of minimum 50% of established variable remuneration in shares of Bank Ochrony Środowiska S.A., of value estimated as the weighted average price of shares of the Bank in trading sessions on the Warsaw Stock Exchange in the period from 1 December of the year preceding the grant date to 31 January of the year of the grant date,

Shares shall mean:

- shares of Bank Ochrony Środowiska S.A. listed on the Warsaw Stock Exchange,
  - phantom shares, at a value corresponding to the share price listed on the Warsaw Stock Exchange,
- deferral in payment of 40% of variable remuneration in the three equal annual tranches, with the proviso that at least 50% of each tranche is paid in shares of the Bank and the remaining part is paid in cash. The deferred part may be suspended, reduced or not paid nor realized at all, i.a. when the Bank's results differ significantly from the approved financial plan for a given year, or when conditions specified in Article 142.1 of the Act - Banking Law have been met.
  - assessment of the 3-year period results, so that the amount of performance or result-based remuneration took into account the business cycle (trade cycle) of the Bank and the risk associated with this business. The results shall mean the results of the tasks in the area of effectiveness, finance, sale and individual goals set forth in the Bank's strategy or financial plan for the given year.

The maximum level of variable remuneration for employees that occupy managerial positions does not exceed 100% of fixed remuneration. The General Shareholders Meeting of BOŚ S.A. may agree to increase the maximum level of variable remuneration to 200% of fixed remuneration, in accordance with

the procedure provided in § 25.2 4), letter b) and c) of the Regulation of the Minister of Development and Finance. The increase of the maximum level of variable remuneration specified in the preceding sentence does not apply to Members of the Bank's Management Board.

In the reporting period, variable remunerations were determined for year 2018 exclusively for the Management Board Members due to failure of other persons occupying managerial positions and exerting substantial influence on the Bank's risk profile to meet the prerequisites authorizing them to be awarded variable remuneration for year 2018.

The expected total cost of variable remunerations for persons occupying managerial positions in BOŚ S.A. for results generated in year 2018 is PLN 1,137 thousand. Out of the total amount:

- payments in phantom shares were awarded, constituting a short-term benefit to be paid upon the end of the retention period, that is, 6 months from the date of awarding of the variable remuneration component, at the exchange rate constituting the arithmetical mean of closing exchange rates established during the first five sessions after the end of the retention period - 46,790 shares worth PLN 341 thousand;
- payment of PLN 455 thousand, constituting a long-term benefit, has been deferred (including: PLN 277 thousand in cash and PLN 227 thousand in shares); the deferred tranches will be paid - when awarded - in the 3 subsequent years, that is, 2020, 2021 and 2022 in equal parts, and payment of each tranche may be suspended or limited, for instance, if the Bank's results depart significantly from the approval financial plan for a given year or the conditions referred to in art. 142 item 1 of the Banking Law Act have been fulfilled;
- the amount of PLN 341 thousand in cash, constituting a short-term benefit, has been paid.

## 6.2. The management options and employee shares program

The three-year incentive scheme for key members of the managerial staff of the Group of BOŚ S.A., the so-called management options program ("the Program") was launched in 2012 for the following years: 2012, 2013 and 2014. The Program was realized in 2013 only. The maturity date of the rights to acquire shares of Series S by the holders of Series B warrants expired on 31 December 2017. The Program was not continued.

In 2018 and 2019, there were no employee share programs at the Bank.

## 6.3. Information on remuneration and liabilities to key managerial staff of BOŚ S.A.

Information on remunerations for key managerial staff of BOŚ S.A. in 2019 and all liabilities of the Bank to the present and former managers and supervisors has been provided in note 49 of the Annual Consolidated Financial Statements of BOŚ S.A. for the year ended on 31 December 2019.

## 6.4. Compensation agreements for managers

In the reporting period, the following persons were Members of the Management Board:

- from 1 January 2019 until 28 June 2019:  
President of the Management Board Bogusław Białowąs,  
Vice President of the Management Board Arkadiusz Garbarczyk,  
Vice President Konrad Raczkowski.
- from 18 June 2019 until 18 September 2019:  
President of the Management Board Bogusław Białowąs,  
Vice President of the Management Board Arkadiusz Garbarczyk,  
acting Member of the Management Board Emil Ślęzak.
- 19 September 2019:  
President of the Management Board Bogusław Białowąs,  
Vice President of the Management Board Arkadiusz Garbarczyk,
- from 20 September 2019 until 3 November 2019:  
President of the Management Board Bogusław Białowąs,  
Vice President of the Management Board Arkadiusz Garbarczyk,  
acting Member of the Management Board Emil Ślęzak.

- from 4 November 2019 until 31 December 2019:  
President of the Management Board Bogusław Białowąs,  
Vice President of the Management Board Arkadiusz Garbarczyk,  
Vice President of the Management Board Jerzy Zań.

Contracts concluded with these managers contained the compensation rules. The following provisions were in force in this regard:

- in the case of termination or notice of termination of the contract by the Bank due to reasons other than violation of basic obligations based on the contract, there is a possibility of awarding no more than 3 times the fixed remuneration under the condition of performance of the entrusted function for the period of at least 12 months prior to termination of the contract; the severance payment amount is decided upon by the Supervisory Board on the basis of the scope of services rendered, their effectiveness and quality in the last 3 years of performance of the function and assessment of effects of the managerial services performed, financial results of the Bank and the line of business supervised.
- In the period from 1 January 2019 until 18 June 2019, these rules applied to three Members of the Management Board, in the period from 19 June 2019 until 3 November 2019 - to two Members of the Management Board, and in the period from 4 November until 31 December 2019 - to three Members of the Management Board.
- in exchange for withdrawal from dealing directly or indirectly with interests that are competitive to the Bank after termination of the function, if the function was performed for at least 3 months, a compensation has been provided, paid every month after termination of the function in the amount of 50% of the fixed remuneration received directly prior to termination of the function - for the period of 6 months.
- In the period from 1 January 2019 until 18 June 2019, these rules applied to three Members of the management Board, in the period from 18 June 2019 until 3 November 2019 - to two Members of the Management Board, and in the period from 4 November until 31 December 2019 - to three Members of the Management Board.

## **6.5. Shares of the Bank held by Members of the Management Board and of the Supervisory Board of the Bank**

According to information submitted to the Bank, none of the Members of the Management Board and none of the Members of the Supervisory Board as at 31 December 2019 held any shares or rights to shares of the Bank (same as at 31 December 2018).

At the same time, in association with Members of the Management Board having been granted variable remuneration for year 2018:

- The President of the Management Board Bogusław Białowąs had 18,630 phantom shares of BOŚ S.A.,
- Vice-President - First Deputy of the President of the Management Board Arkadiusz Garbarczyk had 16,405 phantom shares of BOŚ S.A.,

Phantom shares constitute:

- a derivative instrument as defined in legal provisions on trade in financial instruments, for which the base instrument is the value of shares of the Bank on the WSE, used by the Bank for payment of variable remuneration, in accordance with requirements specified in the Regulation of the Minister of Development and Finance of 6 March 2017.
- 60% of the non-deferred part of the variable remuneration for year 2018.