

V. STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

1. Principles of corporate governance

1.1. Corporate governance rules applicable to BOŚ S.A. and where the text of the rules is publicly available

(This statement has been prepared in accordance with Par. 70.2.6.5 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated March 29th 2018).

In 2020, BOŚ S.A. complied with the corporate governance principles set out in the Code of Best Practice for WSE Listed Companies 2016, attached as an appendix to Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of October 13th 2015, except for the rules set out in Section 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 June 23rd 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 the Bank's compliance with the recommendations and principles contained in the Code of Best Practice for WSE Listed Companies 2016 was published in Current Report No. 24/2014.

Both the text of 'Best Practice for WSE Listed Companies 2016' and information on the Bank's compliance with the recommendations and principles contained therein are available in the Investor Relations section of the Bank's website <https://www.bosbank.pl/informacje-korporacyjne/relacje-inwestorskie/lad-korporacyjny> which also includes 'Statement of compliance with corporate governance standards at BOŚ S.A. in previous years.

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

Management Board of BOŚ S.A. – Resolution No. 108/2018 of May 8th 2018 to adopt the Corporate Governance Rules for Regulated Entities issued by the Polish Financial Supervision Authority;

Supervisory Board of BOŚ S.A. – Resolution No. 31/2018 of May 16th 2018 on the scope of application by the Supervisory Board of BOŚ S.A. of the 'Corporate Governance Rules for Supervisory Institutions' issued by the Polish Financial Supervision Authority.

General Meeting of BOŚ S.A. – by virtue of Resolution No. 28/2018 of the Annual General Meeting of Bank Ochrony Środowiska S.A. of June 19th 2018 on adopting by Bank Ochrony Środowiska S.A. of the "Principles of Corporate Governance for Supervised Institutions", issued by the Polish Financial Supervision Authority.

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

1.2. Information on non-compliance with certain corporate governance rules set forth in Best Practice for WSE-Listed Companies 2016 and Principles of Corporate Governance for Supervised Institutions issued by the PFSA

BOŚ S.A. did not comply with the following corporate governance rules introduced by Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange of October 13th 2015:

- I.Z.1. A company should operate a corporate website and publish on it, in a legible form and in a separate section, in addition to information required under the legislation:
- 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 in the “Investor Relations” section.

- IV.Z.2. If justified by the structure of shareholders, companies should ensure publicly available real-time broadcasts of general meetings.

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 2020, 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 analysed 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 2020. 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. Shareholding structure and rights attached to shares

2.1. Shareholders holding directly or indirectly 5% or more of total voting rights at the Bank's General Meeting

The following shareholders held at least 5% of the share capital and total voting rights:

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

The total number of shares and voting rights in BOŚ S.A. is 92,947,671. All the shares are ordinary bearer shares with the par value of PLN 10 per share.

2.2. Treasury shares

As at December 31st 2020, the Bank held 37,775 treasury shares, representing 0.04% of the share capital and 0.04% of total voting in the Bank.

In accordance with the Commercial Companies Code, the Bank may not exercise voting rights attached to treasury shares.

2.3. Agreements concerning future changes in the shareholding structure

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

2.4. 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.

2.5. 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 to use a registered share, the pledgee and the pledger are not entitled to exercise the voting rights. At present, there are no registered shares in the Bank's share capital.

2.6. 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.

2.7. Description of the manner of operation of the General Meeting and its basic scope of authorization and the rights of shareholders and the manner of exercising these rights

The method of convening, powers and operation of the General Meeting are specified in the Articles of Association of the Bank and

- The General Meeting can be convened as the Annual or Extraordinary General Meeting.
- The Annual General Meeting is convened by the Management Board of the Bank within six months after the end of each financial year.
- The Supervisory Board has the right to convene the Annual General Meeting if the Management Board has failed to convene it within the time limit required by law.
- The agenda of the Annual General Meeting includes in particular:
 - consideration and approval of the statement of the Management Board on activity of the Bank and the financial statements for the previous financial 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 BOŠ Group and the consolidated financial statements of the of the BOŠ Group,
- 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 Art. 36.1 of the Bank's Articles of Association,
- 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.

3. Governing bodies

3.1. 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 2.7.

3.2. Supervisory Board of the Bank

Supervisory Board

As at December 31st 2020, the composition of the Supervisory Board was as follows:

- Wojciech Wardacki – Chairman of the Supervisory Board
- Mr Ireneusz Purgacz – Deputy Chairman of the Supervisory Board
- Mr Paweł Sałek – Secretary of the Supervisory Board

Members of the Supervisory Board

- Leszek Banaszak
- Robert Czarnecki
- Janina Goss
- Marcin Jastrzębski
- Marzena Koczut (from December 21st 2020 delegated to temporarily perform the duties of Member of the Management Board member – for a period not longer than until March 21st 2021)
- Emil Ślęzak
- Piotr Wróbel.

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

- Wojciech Wardacki – Chairman of the Supervisory Board
- Katarzyna Lewandowska – Deputy Chair of the Supervisory Board
- Andrzej Matysiak – Secretary

Members of the Supervisory Board

- Iwona Duda
- Janina Goss
- Ireneusz Purgacz
- Radosław Rasała
- Piotr Sadownik
- Paweł Sałek
- Emil Ślęzak

In 2020, the following changes occurred in the composition of the Supervisory Board:

1. Iwona Duda tendered her resignation from the Supervisory Board with effect as of May 12th 2020;
2. Katarzyna Lewandowska tendered her resignation from the Supervisory Board with effect as of June 15th 2020,
3. on June 16th 2020 and then on September 15th 2020 the Supervisory Board delegated Emil Ślęzak, Member of the Supervisory Board, to temporarily perform the duties of President of the Management Board – for the period from June 18th 2020, not longer than until September 16th 2020, and then for the period from September 17th 2020, not longer than until December 16th 2020. The period of the delegation of Emil Ślęzak, ended on November 9th 2020, i.e., upon appointment of Wojciech Hann as Vice President of the Management Board to manage the activities of the Management Board;
4. on August 5th 2020:
 - the Supervisory Board appointed Ireneusz Purgacz as its Deputy Chairman;
 - The Extraordinary General Meeting (convened for August 5th 2020 and subsequently continued after adjournment on August 17th and August 25th 2020):
 - removed Radosław Rasoła from the Supervisory Board, with effect as of August 5th 2020;
 - appointed Przemysław Bednarski to the Supervisory Board, with effect as of August 5th 2020;
 - appointed Piotr Wróbel to the Supervisory Board, with effect as of August 5th 2020;
 - appointed Marcin Jastrzębski to the Supervisory Board, with effect as of August 25th 2020;
5. Przemysław Bednarski tendered his resignation with effect from the Supervisory Board, with effect as of October 17th 2020;
6. The Extraordinary General Meeting of BOŚ S.A. convened for October 14th 2020 and continued after adjournment on October 19th 2020:
 - removed Andrzej Matysiak from the Supervisory Board, with effect as of from October 19th 2020,
 - appointed the following persons to the Supervisory Board, with effect as of October 19th 2020:
 - Leszek Banaszak,
 - Robert Czarnecki,
 - Marzena Koczut;
7. on October 28th 2020, the Supervisory Board appointed Paweł Sałka as Secretary of the Supervisory Board;
8. on November 5th 2020, Piotr Sadownik tendered his resignation from the Supervisory Board with effect as of the date of conclusion of the Supervisory Board meeting held on November 6th 2020;
9. on December 16th 2020 – made a decision to delegate Marzena Koczut, Member of the Supervisory Board, to temporarily perform the duties of Member of the Management Board for a period from December 21st 2020 until the date of completion of the qualification procedure, but not longer than until March 21st 2021.
10. On February 10th 2021, Ms Marzena Koczut, member of the Supervisory Board, tendered her resignation from the Supervisory Board (Current Report No. 4/2021).

Independence of the Supervisory Board members

As at December 31st 2020, the following members of the Supervisory Board:

- met the independence criteria: Mr Wojciech Wardacki, Mr Ireneusz Purgacz, Mr Paweł Sałek, Mr Leszek Banaszak, Ms Janina Goss, Mr Marcin Jastrzębski, Mr Emil Ślęzak,
- did not meet the independence criteria: Mr Robert Czarnecki, Ms Marzena Koczut, and Mr Piotr Wróbel.

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 financial 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 business strategy of BOŚ S.A. and the Bank’s annual budgets,
- 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,
- notifying the Polish Financial Supervision Authority of the composition of the Management Board and of any change in its composition as soon as the Management Board is appointed or its composition is changed, of the Management Board members' compliance with the requirements referred to in Art. 22aa of the Banking Law, as well as of approval and change of the internal division of powers within the Management Board,
- assessment of the Directors’ Report on the operations of the Bank and the financial statements for the previous financial year with regard to their compliance with the books, documents and facts, and assessment of the Management Board’s requests concerning profit distribution or loss coverage, as well as submission to the General Meeting of an annual written report on results of the assessment,
- assessment of the Directors’ Report on the operations of the BOŚ Group and the financial consolidated statements of the BOŚ Group for the previous financial year with regard to their compliance with the books, documents and facts, as well as submission to the General Meeting of an annual written report on results of the 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,
- 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:

- preparation of an annual report on the activities of the Supervisory Board with a brief assessment of the Bank's position (including assessment of the internal control system and the system for managing risks that are material to the Bank), to be submitted 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 full-year Director's Reports on the operations of the Bank and its Group,
 - analysis and assessment of full-year financial statements of the Bank and its 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 the Committee, as well as its composition,
- appointment of the Strategy and Development Committee of the Bank, passing of the regulations to specify the organization and tasks of the 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. 70.2 of the Act on Trading in Financial Instruments.

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

At least 7 days prior to the Supervisory Board meeting date, members are notified of the time, place and agenda of the meeting in writing and receive materials to be discussed during the meeting.

A request for convening the Supervisory Board meeting can be submitted to the chairman by any member 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 placed on the agenda during the Supervisory Board meeting) in writing through another Board member or by means of remote communication.

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 Supervisory Board have been notified of the content of the draft resolution and at least a half of all members, including the chairman or the deputy chairman, have voted.

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 powers, rules of operation and tasks of the Supervisory Board are laid down in Art. 17–Art. 20 of the Bank's Articles of Association and in the Regulations of the Supervisory Board (the documents are available on the Bank's website www.bosbank.pl in the 'Investor Relations' section).

From among its members the Supervisory Board of the Bank appoints the Internal Audit Committee, the Remuneration and Nomination Committee, the Ecology Committee, the Risk Committee, and the Strategy and Development 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 2020, the Committee performed the tasks defined as belonging to the Audit Committee, among others, in the following documents:

- The Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017,
- the Articles of Association of Bank Ochrony Środowiska S.A.

- Resolutions of the Bank's Supervisory Board.

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

- Recommendation H and Recommendation L of the Polish Financial Supervision Authority,
- Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks,
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities,
- Good Practice for WSE-Companies Listed 2016,
- Recommendations and guidelines of the PFSA on functioning of the Audit Committee,
- Best practices for public-interest entities regarding the rules of appointment, composition and operation of the audit committee and the methodology for assessing the suitability of members of the governing bodies of supervised entities, issued by the Polish Financial Supervision Authority,
- Commission Delegated Regulation (EU) 2017/565 of April 25th 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive,
- Act on Trading in Financial Instruments of July 29th 2005 (consolidated text: (Dz.U. of 2017, item 1768, as amended) with secondary legislation, including in particular, the regulation of the Minister of Finance of May 29th 2018 on specific technical and organisational requirements applying to investment firms, banks referred to in Art. 70.2 of the Act on Trading in Financial Instruments, and custodian banks (Dz.U. of 2018, item 1111).

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

- monitoring of:
 - the financial reporting process,
 - effectiveness of internal control systems and risk management systems, as well as internal audit, including of financial reporting,
 - performance of financial audit, in particular an audit conducted by the audit firm, taking into account all recommendations and findings of the Audit Oversight Commission resulting from audits carried out at the audit firm,
- 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 financial year

In 2020, the function of the Chair of the Internal Audit Committee was performed at all times by the Chair of the Supervisory Board of the Bank. Composition of the Internal Audit Committee throughout the year underwent changes, that is:

- Wojciech Wardacki – Chair of the Committee (from January 1st to December 31st 2020),
- Emil Ślązak – Deputy Chair of the Committee (from January 1st to December 31st 2020),
- Iwona Duda – Member of the Committee (from January 1st to May 12th 2020),
- Katarzyna Lewandowska – Member of the Committee (from January 1st to June 15th 2020),

- Ireneusz Purgacz – Member of the Committee (from January 1st to December 31st 2020),
- Przemysław Bednarski – Member of the Committee (from August 5th to October 17th 2020),
- Leszek Banaszak – Member of the Committee (from November 6th to December 31st 2020).

In the reporting period, the Supervisory Board assessed the suitability of the Internal Audit Committee members and made a collective assessment of the Committee, using the recommendation of the Remuneration and Nomination Committee. Based on the submitted statement and the competence self-assessment form provided, the Remuneration and Nomination Committee verified the Committee members' knowledge of and competence in accounting, audit of financial statements, the industry in which BOŚ S.A. operates, and their compliance with the independence criteria. All members of the Remuneration and Nomination Committee met the criteria.

In 2020, meetings of the Internal Audit Committee were convened as necessary, however, at least once in every quarter. In 2020, there were 13 meetings of the Internal Audit Committee.

The Risk Committee

On January 7th 2016, the Supervisory Board adopted Resolution No. 9/2016 to appoint the Risk Committee, which consisted of Members of the Bank's Supervisory Board. 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 (Dz.U of 2019, item 2357, consolidated text of December 5th 2019) in the Articles of Association of the Bank and in resolutions of the Supervisory Board.

Performing its main tasks, the Committee in particular:

- 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;
- 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;
- 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;
- 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.

In 2020, the Committee consisted of:

- Emil Ślęzak – Chair of the Committee (from January 1st to December 31st 2020),
- Iwona Duda – Deputy Chair of the Committee (from January 1st to June 16th 2020),
- Katarzyna Lewandowska – Member of the Committee (from January 1st to June 16th 2020),
- Wojciech Wardacki – Member of the Committee (from January 1st to December 31st 2020),
- Radosław Rasała – Member of the Committee (from January 1st to August 5th 2020),
- Andrzej Matysiak – Deputy Chair of the Committee (from June 16th to October 28th 2020),
- Marcin Jastrzębski – Member of the Committee (from September 9th to October 28th 2020),
- Piotr Wróbel – Member of the Committee (from August 5th to October 28th 2020),
- Leszek Banaszak – Deputy Chair of the Committee (from October 28th to December 31st 2020),
- Marzena Koczut – Member of the Committee (from October 28th to December 31st 2020; on December 21st 2020 Ms M. Koczut was delegated to temporarily perform the duties of Member of the Management Board).

The Risk Committee held nine meetings in 2020.

Remuneration and Nomination Committee

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 March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital, as specified for the committee – with regard to the remuneration policy,
- in particular, including:
1. 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,
 2. 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,
 3. 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,
 4. 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:
 - giving opinions on the list of persons with significant influence on the Bank's risk profile and on the annual update of the list,
 - designing remuneration packages for members of the Management Board, including the amount and components of variable remuneration, factors determining variable remuneration and performance evaluation criteria, and recommending them to the Supervisory Board,
 - recommending to the Supervisory Board the award, limitation, withholding, refusal of payment or disbursement of variable remuneration of members of the Management Board,
 - giving opinions on variable remuneration for the managing personnel holding risk-management and compliance positions at the Bank,
 - giving opinions on the remuneration policy of the Group and issuing opinions on assessment of the materiality of the subsidiaries' impact on the risk profile of the Bank.

In 2020, the Committee for Remuneration and Nomination consisted of the following members:

- Piotr Sadownik – Chair of the Committee (from January 1st to October 14th 2020); Member of the Committee (from October 14th to November 6th 2020),
- Ireneusz Purgacz – Deputy Chair of the Committee (from January 1st to October 14th 2020); Chairman of the Committee (from October 14th to December 31st 2020),
- Janina Goss – Member of the Committee (from January 1st to December 31st 2020),
- Piotr Wróbel – Deputy Chair of the Committee (from October 14th to December 31st 2020),
- Przemysław Bednarski – Member of the Committee (from October 14th to October 17th 2020),
- Robert Czarnecki – Member of the Committee (from October 28th to December 31st 2020).

Meetings of the Remuneration and Nomination Committee are convened as necessary, however, at least twice a year. In the reporting period, the Committee held 20 meetings.

The Ecology Committee

The Ecology Committee is a body appointed by the Bank's Supervisory Board and supporting the Supervisory Board in the development of environmental activities of BOŚ, including cooperation with the main shareholder, the National Fund for Environmental Protection and Water Management. The Ecology Committee issues opinions and recommendations for the Supervisory Board with regard to the quarterly reports on the Bank's environmental activity and initiatives, as well as the Bank's directions of financing environmental projects. The Committee also takes steps to develop the cooperation between the Bank and the National and Provincial Funds for Environmental Protection and Water Management, and makes recommendations for the Supervisory Board and the Management Board concerning development of the offering of banking products dedicated to environmental protection.

- Andrzej Matysiak – Chair of the Committee (from January 1st to October 19th 2020),
- Paweł Sałek – Deputy Chair of the Committee (from January 1st to October 28th 2020), Chairman of the Committee (from October 28th to December 31st 2020),
- Marzena Koczut – Deputy Chair of the Committee (from October 28th to December 31st 2020; on December 21st 2020 Ms M. Koczut was delegated to temporarily perform the duties of Member of the Management Board),
- Janina Goss – Member of the Committee (from January 1st to December 31st 2020),
- Radosław Rasała – Member of the Committee (from January 1st to August 5th 2020),
- Przemysław Bednarski – Member of the Committee (from August 5th to October 17th 2020),
- Marcin Jastrzębski – Member of the Committee (from September 9th to December 31st 2020).

Meetings of the Ecology Committee are convened by the Chairman when and as needed. The Ecology Committee held four meetings in 2020. The Committee discussed recommendations for the Supervisory Board to approve information on the environmental activities of the Bank with respect to financing of environmental projects, including cooperation with the National and Provincial Funds for Environmental Protection and Water Management, prepared on a quarterly basis. At its meetings, the Committee also discussed the progress of work on BOŚ joining the 'Clean Air' programme operated by the National Fund for Environmental Protection and Water Management and on improvements in the lending process for solar PV farms. The Ecology Committee also initiated the establishment of the Ecology Division at the Bank, which would report to the President of the Management Board.

Strategy and Development Committee of the Bank

In 2020, the Supervisory Board appointed a Strategy and Development Committee composed of members of the Bank's Supervisory Board. The Strategy and Development Committee supports the Supervisory Board with respect to further growth directions for the Bank.

The Committee performs the following tasks:

1. monitors the schedule for preparing the Bank's strategy;
2. monitors the implementation of the Bank's business strategy;
3. presents to the Supervisory Board its position regarding the desired changes in further strategic growth directions for the Bank and the Group;
4. presents its opinions concerning information submitted to the Supervisory Board about:
 - the Bank's and the Group's business strategy under preparation,
 - implementation of the adopted strategic objectives, as part of the annual reporting process,
 - reasons for updating the Bank's strategy,
5. at the request of the Supervisory Board, performs other tasks supporting the oversight of implementation of the Bank's business strategy.

In 2020, the Committee consisted of the following members:

- Marcin Jastrzębski – Chairman of the Committee (October 28th 2020 – December 31st 2020),
- Robert Czarnecki – Deputy Chairman of the Committee (October 28th 2020 – December 31st 2020),
- Marzena Kocut - Member of the Committee (October 28th 2020 – December 31st 2020; with effect from December 21st 2020 Marzena Kocut was delegated to temporarily serve as Member the Management Board),
- Piotr Wróbel – Member of the Committee (October 28th 2020 – December 31st 2020).

In 2020, two meetings of the Bank's Strategy and Development Committee were held.

3.3. Management Board of the Bank

Management Board

As at December 31st 2020, the composition of the Bank's Management Board was as follows:

- Wojciech Hann – Vice President of the Management Board, responsible for activities of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Jerzy Zań – Vice President of the Management Board.
- Marzena Kocut – Member of the Supervisory Board delegated to temporarily perform the duties of Member of the Management Board.

As at December 31st 2019, the composition of the Bank's Management Board was as follows:

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

During the year, the following changes took place in the composition of the Management Board:

1. On June 17th 2020, i.e., the date of the Annual General Meeting of the Bank approving the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019, the mandates of all members of the Bank's Management Board expired.
2. On June 18th 2020, i.e., on the day following the date of approval by the Annual General Meeting of the Bank of the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019, having carried out a qualification procedure, the Supervisory Board appointed the Management Board for a new term of office with the following composition:
 - Arkadiusz Garbarczyk – as Vice President of the Management Board, First Deputy President of the Management Board
 - Jerzy Zań – as Vice President of the Management Board.

Also, since Mr Bogusław Białowąs declared that he would not stand for election to the Management Board for a new term of office and that President of the Management Board had not been elected in the course of the qualification procedure, the Supervisory Board:

- delegated Emil Ślężak, Member of the Supervisory Board, to temporarily perform the duties of President of the Management Board, for a period not longer than until September 16th 2020;
 - at its meeting held on June 24th 2020 – passed a resolution to initiate a qualification procedure for the position of President of the Management Board;
3. on September 15th 2020 – made a decision to delegate again Emil Ślężak to temporarily perform the duties of President of the Management Board from September 17th 2020, for a period not longer than until December 16th 2020;
 4. on November 6th 2020, as a result of the qualification procedure – appointed Wojciech Hann as Vice President of the Management Board effective as of November 9th 2020 to manage the activities of the Management Board for a definite period, i.e. until the effective date of the Supervisory Board's resolution on the appointment of President of the Management Board.
Upon the appointment of Wojciech Hann as Vice President of the Management Board, the delegation of Emil Ślężak, Member of the Supervisory Board, to perform the duties of President of the Management Board ended;
 5. on December 16th 2020 – made a decision to initiate a qualification procedure for the position of Member of the Management Board, and passed a resolution to delegate Marzena Koczut, Member of the Supervisory Board, to temporarily perform the duties of Member of the Management Board for a period from December 21st 2020 until the date of completion of the qualification procedure, but not longer than until March 21st 2021.

Changes in the composition of the Management Board after the reporting date are presented in Part IV section II.

The rules of operation, powers and tasks of the Management Board are laid down in §§ 21 - 23 of the Articles of Association and in the Regulations of the Management Board (the documents are available on the Bank's website www.bosbank.pl in the "Investor Relations" section).

Pursuant to the Articles of Association of BOŚ S.A., members of the Management Board are appointed by the Supervisory Board for a joint three-year term of office. The number of the terms of office is unlimited. The Supervisory Board appoints and removes from office the President, Vice Presidents and Members of the Management Board. The President of the Management Board has the right to request appointment and removal of Management Board members. Resolutions of the Supervisory Board on appointment and removal of the Management Board members are passed by 2/3 of all votes.

Two members of the Management Board, including the President, are appointed subject to approval by the Polish Financial Supervision Authority. The request for approval is submitted by the Supervisory Board. In addition to the President, a Management Board member who has obtained the consent of the Polish Financial Supervision Authority acts as Vice President – First Deputy President of the Bank's Management Board and supervises the management of risks material to the Bank's operations.

The Chairperson of the Supervisory Board, acting under the authority of the Supervisory Board, executes management services contracts with members of the Management Board on behalf of the Bank. The terms of the contracts are defined collectively by the Supervisory Board.

Mandates of the Management Board members expire on or before the date of the General Meeting approving the Directors' Report and the financial statements for the last full financial year in which the members held the office. Mandates of the Management Board members also expire in the event of their death, resignation or removal from the Management Board.

The Management Board makes decisions on any matters not reserved for the other governing bodies of the Bank. In particular, the Management Board of the Bank:

- represents the Bank before courts, public administration bodies and third parties,
- adopts the Bank's business strategies and annual budgets,

- passes resolutions on the Bank's organisational structure and on the establishment and liquidation of the Bank's organisational units,
- passes resolutions on acquisition and disposal of property or an interest in property,
- prepares draft internal regulations whose issue falls within the remit of the General Meeting and the Supervisory Board,
- makes decisions on matters concerning incurring liabilities or disposing of assets where their aggregate value with respect to one entity exceeds 5% of the Bank's own funds approval, with the proviso that the Supervisory Board is authorised to approve the Management Board's requests concerning acquisition of company shares with a par value exceeding – in combination with shares already held by the Bank in a given company – the equivalent of 5% of the Bank's share capital, excluding shares of companies admitted to public trading,
- adopts the Bank's information policy,
- adopts the Bank management strategy and the risk management strategy,
- defines the acceptable overall risk level,
- manages special funds,
- adopts the procedure for the appointment and removal of the person managing the internal audit function and the person managing the compliance function, and determines the amount of remuneration for such persons,
- adopts the remuneration policy,
- adopts a policy for assessing the appropriateness of candidates and key function holders at the Bank and assesses the appropriateness of candidates and key function holders at the Bank,
- adopts the compliance policy of the Bank,
- adopts the policy for calculating internal capital and for capital management purposes;
- adopts the rules of procedure for the internal audit function (Internal Audit Charter) and issues an opinion on the internal audit plan;
- approves the rules of procedure for the compliance function and its annual operation plans.

In addition, the Management Board collectively considers and passes resolutions on:

- convening the General Meeting of the Bank
- matters affecting:
 - development of the Bank's financial results, including in particular budget setting and defining the business strategy for the Bank, and determination of interest rates on cash deposits and borrowings at the Bank,
 - development of the Bank's relationship with the external environment, including in particular matters related to the setting of rules of appointment and removal of attorneys-in-fact and commercial proxies, defining the rules for the Bank's conduct vis-a-vis clients and in the interbank and financial markets, including definition of templates of rules for clients,
 - definition and division of powers at the Bank, including in particular matters related to the determination of credit risk assessment rules and rules of making lending decisions at BOŚ S.A.
- other matters provided for in the Bank's Articles of Association or issues raised by the Management Board members.

The powers of the Management Board as a collective body also include:

- making lending decisions in accordance with applicable internal rules,
- considering periodic information statements on the implementation of the Bank's tasks and its economic, financial, organisational and HR situation,
- definition of the internal division of powers within the Management Board.

The President of the Management Board performs the tasks specified in the Bank's Articles of Association and other internal regulations, including the Rules of Procedure for the Management Board and the Bank's Organisational Rules. In particular, the President of the Management Board:

- directs the overall business of the Bank,
- issues internal orders,
- directs the work of the Bank's Management Board, calls Management Board meetings, approves the agenda and chair the meetings,
- make HR decisions to the extent specified in the Bank's Articles of Association and other internal regulations,
- issue orders relating to all areas of the Bank's business, including matters relating to the Bank's organisational rules and its organisational units,
- manages the internal control process at the Bank,
- coordinates the Bank's environmental policy activities, representing BOŚ S.A. in contacts with representatives of the Parliament, public administration, including the minister competent for the environmental, National and Provincial Environmental Protection and Water Management Funds and other (national) special-purpose funds funded outside the budget.

In the event of expiry of the mandate of the President of the Management Board due to death, resignation or removal 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.

The Management Board members supervise the business areas assigned to them. As part of the supervision, the Management Board members in particular:

- inspire the activities of the supervised organisational units of the Head Office, in accordance with their respective tasks and the Bank's development directions set out in the business strategies and budgets,
- monitor the course of work and the correctness of activities undertaken in the Head Office units supervised by them, the stage of completion of such work and activities as well as their final implementation and compliance with the law and internal regulations,
- supervise the implementation of internal control tasks in the areas of the Bank's business under their supervision, in order to ensure effective and secure development of the Bank,
- monitor the risks in the business areas under their supervision,
- issue circular letters, which are implementing regulations for the President's resolutions and orders,
- issue instructions on how to deal with a matter to the Head Office's organisational units under their supervision,
- in accordance with the Order of the President of the Management Board concerning the rules of selection and hiring of employees for the Bank – decide on staff employment and remuneration, change of terms of employment, and termination of employment contracts in the areas under their supervision in accordance with the Bank's internal regulations;
- ensure that the Bank fulfils its obligations in connection with the performance of the activities referred to in Art. 70.2 of the Act on Trading in Financial Instruments, make assessments and periodic reviews of the strategy, arrangements and procedures introduced in order to fulfil those obligations, and indicate the Management Board member in charge of that area,
- monitor the appropriateness of the Bank's strategic objectives adopted in connection with the performance of the activities referred to in Art. 70.2 of the Act on Trading in Financial Instruments,
- monitor the appropriateness and effectiveness of the solutions, regulations and policies implemented at the Bank in connection with the performance of the activities referred to in Art. 70.2 of the Act on Trading in Financial Instruments,
- are responsible for the day-to-day operation of the procedures for reporting breaches of the law, regulations applicable at the Bank and market standards, and indicate the Management Board member responsible for this area, to whom such breaches are to be reported.

In the performance of these supervisory tasks, individual members of the Management Board may submit proposals and requests to the Management Board regarding matters to be decided on by the Management Board as a collective body, concerning both the overall business of the Bank and the individual areas of its operations.

In accordance with the Bank's Articles of Association, representations concerning the Bank's property rights and obligations may be made and documents on behalf of the Bank may be signed by the President of the Management Board acting individually or by two persons from among the other members of the Management Board, commercial proxies or attorneys-in-fact acting jointly according to, and within, their authorisation. The Bank's attorneys-in-fact are appointed and removed by the President of the Management Board acting individually or by two persons from among the other members of the Management Board, commercial proxies or attorneys-in-fact acting jointly according to, and within, their authorisation.

Passing of resolutions to increase or reduce the share capital and to issue convertible bonds or bonds with pre-emptive right lies within the powers of the General Meeting.

4. Conflict of interests at 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.

5. Remuneration policy at BOŚ S.A.

5.1. Remuneration policy for management personnel at BOŚ S.A.

In order to meet the requirements set out in the Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks, and in accordance with Directive 2013/36/EU of the European Parliament and of the Council of June 26th 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, the Bank implemented a remuneration policy for the managing personnel, approved by the Supervisory Board.

The Remuneration and Nomination Committee, appointed by the Supervisory Board, gives its opinions on and monitors the remuneration policy and supports the Bank's bodies in developing and implementing this policy by:

- giving opinions on the list of persons with significant influence on the Bank's risk profile and on the annual update of the list,
- designing remuneration packages for members of the Management Board, including the amount and components of variable remuneration, factors determining variable remuneration and performance evaluation criteria, and recommending them to the Supervisory Board,
- recommending to the Supervisory Board the award, limitation, withholding, refusal of payment or disbursement of variable remuneration of members of the Management Board,
- giving opinions on variable remuneration for the managing personnel holding risk-management and compliance positions at the Bank,
- giving opinions on and monitoring of variable remuneration for the managing personnel holding first- and second-line of defence risk-management positions other than those specified in item 4 above,
- giving opinions on the remuneration policy of the Group and issuing opinions on assessment of the materiality of the subsidiaries' impact on the risk profile of the Bank.

The key assumptions of the remuneration policy include:

- payment of at least 50% of the determined variable remuneration in shares of the Bank whose value is calculated as the weighted average price of the Bank shares in session trading on the WSE in the period from December 1st of the year preceding the year in which the variable remuneration is awarded to January 31st of the year in which the variable remuneration is awarded.

The terms 'shares' is understood to include:

- shares of Bank Ochrony Środowiska S.A. listed on the Warsaw Stock Exchange,
- virtual, or phantom, shares with a value per phantom share equal to the price of the Bank shares listed on the Warsaw Stock Exchange;
- payment of 40% of the variable remuneration in three deferred equal annual instalments, with at least 50% of each tranche paid in Bank shares and the balance paid in cash. The deferred part may be suspended, reduced or not paid or realised at all if the Bank's results differ significantly from the approved budget for a given year, or when the circumstance specified in Article 142.1 of the Banking Law occur;
- performance evaluation covering a three-year period so that the amount of performance-based remuneration takes into account the business cycle of the Bank and the risks involved in its business activity. The term 'performance' is understood to mean actual delivery of productivity, financial, sales and individual targets set forth in the Bank's strategy or budget for a given year.

In addition, in the reporting period the Remuneration Policy was elaborated to include provisions taking into account a prudent approach to the payment of variable components of remuneration in justified cases, such as the occurrence of a crisis situation or events having an adverse impact on the economy, which may affect the financial market, the capital base of the Bank and/or its financial results. If such events occur, the variable remuneration – regardless of its amount – will be settled in accordance with the following principles:

- 40% of the accrued bonus will be non-deferred variable remuneration, payable in the year when the performance evaluation was made,
- 60% of the accrued bonus will be deferred variable remuneration, which will be divided into four equal tranches. Each tranche will be awarded and paid annually over for a period of four consecutive years following the year in which the non-deferred remuneration was awarded to the eligible person.

At least 50% of both the variable remuneration and each subsequent tranche of the deferred remuneration will be paid in Bank shares.

The above results from the position of the PFSA regarding conservative approach to the payment of variable remuneration, published in April 2020.

The maximum amount of variable remuneration for each managing person may not exceed 100% of the person's annual fixed remuneration. The General Meeting of Bank Ochrony Środowiska S.A. may give its consent to increasing the maximum level of variable remuneration up to 200% of the fixed remuneration, in accordance with the procedure provided for in §25(2)(4)(b) and (c) of the Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks. The increase in the maximum amount of variable remuneration referred to in the preceding sentence does not apply to members of the Management Board.

During the reporting period:

- after the end of the retention period, the phantom shares awarded as part of the variable remuneration for 2018, with a total gross amount of PLN 309.6 thousand (46,790 phantom shares times the price equal to the arithmetic average of the closing prices at the first five sessions after the end of the retention period, i.e., PLN 6,616), were converted into cash and paid out;
- the first (of three) tranche of deferred variable remuneration for 2018 was settled; the total expected cost will amount to PLN 88.1 thousand gross, including payments in phantom shares constituting a short-term benefit to be paid after the lapse of the retention period, i.e., after a period of six months from the date of award of the variable component of remuneration, at the value per phantom share equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period – 6,229 shares, and the amount of PLN 45.4 thousand gross was paid in cash as a short-term benefit;
- variable remuneration for 2019 for management personnel holding positions with a material impact on the Bank's risk profile (including members of the Management Board) was determined. The expected total cost of variable remunerations for persons holding managerial positions at BOŚ S.A. for the results generated in 2019 is PLN 1,408 thousand, gross. Out of the total amount:
 - the gross amount of PLN 899.4 thousand was paid in cash as a short-term benefit,
 - phantom shares were awarded as a short-term benefit, to be paid after the lapse of the retention period, i.e., after a period of six months from the date of the award of the variable component of remuneration, with the value per phantom share equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period – 31,816 shares with a total gross amount of PLN 217.9 thousand,
 - payment of the gross amount of PLN 290.6 thousand was deferred as a long-term benefit (including: PLN 145.3 thousand gross in cash and PLN 145.3 thousand gross in Bank shares); once awarded, the deferred tranches will be disbursed in three subsequent years, i.e., 2021, 2022 and 2023, in equal parts, however the disbursement of each tranche may be withheld or limited if the Bank's results materially deviate from the approved budget for a given year or if the circumstance referred to in Art. 142.1 of the Banking Law occur.

The variable remuneration for 2020 has not yet been determined and awarded.

5.2. Management stock option and employee share program

The three-year incentive scheme for key members of the managerial staff of the BOŚ Group, the so-called management stock option program ("the Program"), was launched in 2012 for the 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 December 31st 2017. The Program was not continued.

In 2019 and 2020, there were no employee share programs at the Bank.

5.3. Information on remuneration and liabilities to key managerial staff at BOŚ S.A.

Information on remuneration for key managerial staff of BOŚ S.A. and all liabilities of the Bank to the present and former managers and supervisors is provided in note 48 of the Full-Year Consolidated Financial Statements of the BOŚ Group for the year ended December 31st 2020.

5.4. Agreements on compensation for managers

The agreements concluded with managers provided for the following compensation rules:

- 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. The above rules applied to three Members of the Management Board in the period from January 1st to June 17th 2020, two Members of the Management Board in the period from June 18th to November 8th 2020, and to three Members of the Management Board in the period from November 9th to December 31st 2020.
- 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. The above rules applied to three Members of the Management Board in the period from 1 January 1st to June 17th 2020, two Members of the Management Board in the period from June 18th to November 8th 2020, and to three Members of the Management Board in the period from November 9th to December 31st 2020.

5.5. Shares of the Bank held by Members of the Management Board and Supervisory Board of the Bank

According to information submitted to the Bank, as at December 31st 2020 none of the Members of the Management Board and none of the Members of the Supervisory Board held:

- any Bank shares or rights to Bank shares;
- any shares in the Bank's related entities.

At the same time, Arkadiusz Garbarczyk, Vice President and First Deputy President of the Management Board, held:

- 19,190 phantom shares in BOŚ S.A. in connection with Members of the Management Board having been granted variable remuneration for 2019,
- 2,917 phantom shares in BOŚ S.A. in connection with Members of the Management Board having been granted the first (out of the three) tranche of deferred variable remuneration for 2018.

Phantom shares are a derivative instrument within the meaning of the regulations on trading in financial instruments for which the underlying instrument is the value of the Bank shares on the WSE. It is used by the Bank for payment of variable remuneration in accordance with requirements laid down in the Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks.