

Report
on the activities of the Supervisory Board
of Bank Ochrony Środowiska S.A.
for 2021

Warsaw, 2022

Contents:

1. Composition of the Supervisory Board in 2021, including in terms of diversity	p. 3
2. Number of Supervisory Board meetings in 2021 and attendance of individual Supervisory Board members at the meetings	p. 4
3. Composition of the Supervisory Board Committees and summary of their activities in 2021	
3.1. Internal Audit Committee	p. 6
3.2. Remuneration and Nomination Committee	p. 9
3.3. Environmental Protection Committee	p. 12
3.4. Risk Committee	p. 14
3.5. Strategy and Development Committee	p. 16
4. Summary of the activities of the Supervisory Board in 2021, including self-assessment of its performance	p. 17
5. Satisfaction of the independence criteria by members of the Supervisory Board	p. 22
6. Satisfaction by members of the Supervisory Board of the requirements of Art. 129.1 and Art. 129.5 of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017	p. 23
7. Report of the Supervisory Board on the assessment of the Bank's and the BOŚ Group's statements and reports for 2020 with respect to their consistency with the accounting records, supporting documents and facts, as well as the Management Board's proposal to cover the loss disclosed at the end of 2020	p. 23

Appendices:

- 1) Appendix 1 – Assessment of the Bank's standing in 2021 on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function;
- 2) Appendix 2 – Report on the assessment of the implementation of the Remuneration Policy in 2021, together with a draft assessment for the highest decision-making body responsible for determining whether the Policy supports the Bank's development and security of operations;
- 3) Appendix 3 – Assessment of the validity of expenses incurred by the Bank and its Group to sponsor culture, sports, charities, media, social organisations, trade unions, etc.;
- 4) Appendix 4 – Assessment of Bank Ochrony Środowiska S.A.'s compliance with the 'Principles of Corporate Governance for Supervised Institutions', issued by the Polish Financial Supervision Authority on July 22nd 2014, and assessment of the fulfilment by Bank Ochrony Środowiska S.A. of the disclosure requirements regarding compliance with the corporate governance principles, as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic reports in 2021;
- 5) Appendix 5 – Information on the degree of implementation of the diversity policy with respect to the Management Board and the Supervisory Board of Bank Ochrony Środowiska S.A.;
- 6) Appendix 6 – Information on the adoption of the Rules of Procedure for the Supervisory Board of Bank Ochrony Środowiska S.A. and assessment of its adequacy.

As required by the applicable laws and the Bank's Articles of Association, in the reporting period the Supervisory Board of Bank Ochrony Środowiska S.A. exercised ongoing supervision over all areas of the Bank's operations.

1. Composition of the Supervisory Board in 2021, including in terms of diversity

As at January 1st 2021, the composition of the Supervisory Board was as follows:

- 1) Wojciech Piotr Wardacki, Chairman of the Supervisory Board
- 2) Ireneusz Purgacz, Deputy Chairman of the Supervisory Board
- 3) Mr Paweł Sałek, Secretary of the Supervisory Board

Members:

- 4) Leszek Jerzy Banaszak
- 5) Robert Krzysztof Czarnecki
- 6) Janina Kazimiera Goss
- 7) Marcin Adam Jastrzębski
- 8) Marzena Koczut (*delegated to temporarily perform the duties of member of the Management Board from December 21st 2020 to no later than March 21st 2021*)
- 9) Emil Stanisław Ślązak
- 10) Piotr Adam Wróbel

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

- On February 10th 2021, Marzena Koczut, following her appointment as of that date as Vice President of the Management Board, tendered her resignation as member of the Supervisory Board;
- On June 23rd 2021, the Annual General Meeting of the Bank:
 - removed Wojciech Piotr Wardacki from the Supervisory Board,
 - appointed Zbigniew Dynak and Andrzej Grzegorz Matysiak to the Supervisory Board;
- At the meeting held on July 13th 2021, the Supervisory Board elected Emil Stanisław Ślązak as Chairman of the Supervisory Board.

Following the changes, as at December 31st 2021 the composition of the Supervisory Board was as follows:

1. Emil Stanisław Ślązak, Chairman of the Supervisory Board
2. Ireneusz Purgacz, Deputy Chairman of the Supervisory Board
3. Paweł Sałek, Secretary of the Supervisory Board

Members:

4. Leszek Jerzy Banaszak
5. Robert Krzysztof Czarnecki
6. Zbigniew Dynak
7. Janina Kazimiera Goss
8. Marcin Adam Jastrzębski
9. Andrzej Grzegorz Matysiak
10. Piotr Adam Wróbel

As far as diversity is concerned:

- with respect to the Supervisory Board, diversity is understood as defined in the draft *'Diversity policy for members of the Supervisory Board of Bank Ochrony Środowiska S.A.'*, submitted for adoption by the General Meeting, i.e. as “the characteristics of members of the Bank’s Supervisory Board, including their age, gender, education, skills, knowledge and professional experience, ensuring diverse opinions on the Supervisory Board, allowing its members to effectively act in their capacity and perform their duties” and, consequently, ensuring successful performance of the Supervisory Board’s tasks;
- the composition of the Bank’s Supervisory Board in 2021 in terms of age, education, skills, knowledge and professional experience ensured diverse opinions and allowed the Supervisory Board to effectively perform its tasks;
- to ensure diversity of the Supervisory Board in terms of gender the Bank seeks to achieve a target minority participation rate of no less than 30%, provided that an appropriate level of knowledge, skills, education, competence and professional experience of Supervisory Board members as a collective body is guaranteed, in accordance with the *'Policy for the assessment of the suitability of candidates for members of the Supervisory Board, members of the Supervisory Board and the Supervisory Board of Bank Ochrony Środowiska S.A.'* In 2021, women represented 10% of all Supervisory Board members.

For detailed information on the degree of implementation of the diversity policy with respect to the Management Board and the Supervisory Board of the Bank, see Appendix 5 to this Report.

[2. Number of Supervisory Board meetings in 2021 and attendance of individual Supervisory Board members at the meetings](#)

In the performance of its duties related to ongoing supervision over the Bank’s operations, in 2021 the Supervisory Board held 16 meetings (including one two-day meeting) on the following dates:

- January 20th,
- February 10th,
- March 3rd,
- March 31st,
- April 22nd,
- April 26th,
- April 28th,
- May 26th and May 31st (2 days),
- June 22nd,
- July 13th,
- September 1st,
- September 29th,
- October 20th,
- November 10th,
- November 17th,
- December 15th.

Due to the state of epidemic, some meetings of the Supervisory Board were held in a hybrid manner, using means of remote communication.

In 2021, 11 votes were held to pass resolutions by the Supervisory Board outside of a meeting. The votes took place on the following dates:

February 16th – February 18th,

March 16th – March 18th,

April 14th – April 19th,

May 14th – May 19th

June 14th – June 18th,

July 15th – July 19th

August 5th – August 10th,

August 13th – August 19th

September 7th – September 13th,

September 14th – September 19th,

November 29th – December 1st.

Below is the Supervisory Board's information on the attendance of individual members in the meetings and participation in votes held outside of a meeting.

- 1) Emil Stanisław Ślęzak attended 15 out of the 16 meetings; he participated in all the 11 votes held outside of a meeting;
- 2) Ireneusz Purgacz attended 15 out of the 16 meetings; he participated in all the 11 votes held outside of a meeting;
- 3) Paweł Sałek attended 14 out of the 16 meetings; he participated in 10 out of the 11 votes held outside of a meeting;
- 4) Leszek Jerzy Banaszak attended 15 out of the 16 meetings; he participated in all the 11 votes held outside of a meeting;
- 5) Robert Krzysztof Czarnecki attended all the 16 meetings and participated in all the 11 votes held outside of a meeting;
- 6) Zbigniew Dynak, having been appointed to the Supervisory Board on June 23rd 2021, attended all the 7 meetings and participated in all the 6 votes held outside of a meeting;
- 7) Janina Kazimiera Goss attended all the 16 meetings and participated in all the 11 votes held outside of a meeting;
- 8) Marcin Adam Jastrzębski attended 13 out of the 16 meetings; he participated in 6 out of the 11 votes held outside of a meeting;
- 9) Andrzej Grzegorz Matysiak, having been appointed to the Supervisory Board on June 23rd 2021, attended all the 7 meetings and participated in all the 6 votes held outside of a meeting;
- 10) Piotr Adam Wróbel attended all the 16 meetings and participated in all the 11 votes held outside of a meeting;
- 11) Wojciech Piotr Wardacki, prior to being removed from the Supervisory Board on June 23rd 2021, attended all the 9 meetings and participated in all the 5 votes held outside of a meeting.

The active participation of the Supervisory Board members in meetings and votes held outside of a meeting shows that all the members were highly committed to the performance of the Supervisory Board's tasks.

3. Composition of the Supervisory Board Committees and summary of their activities in 2021

3.1. Internal Audit Committee

The Committee operated on the basis of the rules of procedure entitled 'Organisation and Tasks of the Internal Audit Committee,' adopted by the Supervisory Board, as well as the Annual Work Plan for the Internal Audit Committee.

In 2021, the Internal Audit Committee consisted of:

- Wojciech Piotr Wardacki, Chairman (until June 23rd 2021)
- Zbigniew Dynak, Chairman (from July 13th 2021)
- Emil Stanisław Ślężak, Deputy Chairman
- Leszek Jerzy Banaszak, Member
- Ireneusz Purgacz, Member

In 2021, the Committee meetings were held as needed, mainly to perform the Committee's Work Plan and address the current needs of the Bank. In 2021, the Committee met 15 times, as documented in the minutes of the meetings. All the Committee meetings in 2021, except for the one held on August 25th, were face to face.

The Internal Audit Committee's Work Plan for 2021 was fully implemented.

The Committee meetings (except for the one held on August 25th by circulation) were attended by the President of the Management Board, Head of the Internal Audit Department and Head of the Compliance Department or persons acting in their place, and when accounting and financial reporting matters were considered, also by the Head of the Accounting Department. In addition, representatives of external audit firm Mazars Audyt Sp. z o.o. participated in four meetings of the Committee.

In 2021, the Internal Audit Committee issued opinions and recommendations to the Supervisory Board with respect to matters under its consideration. In the reporting period, the Committee did not issue any directions regarding measures to be implemented.

In 2021, the 'Organisation and Tasks of the Internal Audit Committee' was amended after the document had been reviewed for adequacy and compliance with applicable laws, the Bank's internal regulations, and market recommendations and standards, in particular the Code of Best Practice for WSE Listed Companies 2021. In particular, the amendments reflect Principle 2.9, which prescribes that: *"The chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board."*

In 2021, the Committee was carrying out the tasks assigned to it by law and recommendations of the Polish Financial Supervision Authority defining the tasks and powers of internal audit committees. In particular, as part of its supervision of financial reporting and auditing, the Committee:

- regularly cooperated with the external auditor of the financial statements of the Bank and the Group, as part of which the Committee became acquainted with the audit methodology and the scope of work performed by the auditor in the course of the audit of the financial statements;
- reviewed and recommended that the Supervisory Board approve the financial statements of the Bank and the Group for 2020 as well as the Directors' Report on the operations of the Group in 2020, prepared together with the Directors' Report on the operations of the Bank, as well as the Group's qualitative and quantitative information on capital adequacy as at December 31st 2020;
- reviewed and approved an additional report for the Audit Committee, prepared in accordance with Article 11 of EU Regulation No. 537/2014 on specific requirements regarding statutory audit of public-interest entities;
- reviewed and recommended that the Supervisory Board approve the statements required under the Minister of Finance's Regulation of March 29th 2018 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, that is
 - 1) a statement by the Supervisory Board prepared in accordance with Par. 70.1.7 and Par. 71.1.7 of the Regulation (concerning selection of an audit firm),
 - 2) a statement by the Supervisory Board prepared in accordance with Art. 70.1.8 and Par. 71.1.8 of the Regulation (concerning the Internal Audit Committee),
 - 3) a statement by the Supervisory Board prepared in accordance with Art. 70.1.14 and Par. 71.1.12 of the Regulation (concerning assessment of the Bank's statements and reports).

In addition, the Committee:

- 1) considered and approved:
 - Information on risks related to the application of the accounting policies and organisation of the accounting function at the Bank;
 - Information on the remuneration of the Bank's employees working in the internal control system, i.e. the risk, internal audit, and compliance (Compliance Department) functions, as well as employees in the key financial reporting positions at BOŚ S.A. against average salaries at the Bank;
 - Work Plan for the Internal Audit Committee;
- 2) reviewed and issued recommendations concerning approval or adoption by the Supervisory Board of the following documents:
 - Information on the results of self-assessment of the Internal Audit Department and information on implementation of a programme to ensure and raise the quality of the Department's work;
 - Internal Audit Department's Strategy for 2021–2023 consistent with the Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023;
 - Annual internal audit plan for 2022 and multi-year internal audit plan for 2022–2024;

- Internal audit chart – rules for the operation of the internal audit unit at Bank Ochrony Środowiska S.A., as well as the rules of procedure for the Compliance Department;
 - Action plan for the compliance function for 2021 and an annual report on the function’s performance in 2020;
 - Compliance policy at Bank Ochrony Środowiska S.A.;
 - Information on the Bank’s compliance with the laws governing performance of the activities referred to in Art. 70.2 of the Act on Trading in Financial Instruments;
 - Information from the compliance function on the findings of investigations into cases of infringement of law and violation of procedures and ethical standards applicable at the Bank (whistleblowing);
 - regular (quarterly) information on the risk of non-compliance;
 - regular (quarterly) information on the results of internal audits and external inspections carried out at the Bank, as well as quarterly reports on reviews of the implementation of post-audit and post-inspection recommendations;
 - regular reports on the implementation of the PFSA’s post-inspection recommendations, including monthly reports on how the Bank followed the timetable for carrying out the recommendations issued by the PFSA after a problem-focused inspection performed from November 14th 2019 to January 24th 2020 to examine the compliance by BOŚ S.A. with certain obligations under the Anti-Money Laundering and Counter-Terrorist Financing Act of March 1st 2018;
 - Code of Banking Ethics;
 - Internal control system at BOŚ S.A.;
 - Information policy – rules governing disclosure by Bank Ochrony Środowiska S.A. of qualitative and quantitative information on capital adequacy;
 - results of an audit of the ‘Variable Remuneration Components Policy’;
 - the policy to counteract and manage conflicts of interest at BOŚ S.A.;
- 3) preparation of recommendations for the Supervisory Board on assessment of the internal control system at BOŚ S.A. in 2021, based on materials and information received from the Management Board as well as the Internal Audit Department and the Compliance Department. On a scale from 1 to 4 (where 1 is the best score), the effectiveness of the internal control system, as in the previous year, was rated at 3: ‘Adequate and effective with reservations.’ The Supervisory Board approved the assessment, in accordance with the Committee’s recommendation. For detailed reasons for the assessment, see Appendix 1 to this Report.

3.2. Remuneration and Nomination Committee

The Committee operates pursuant to the “Rules of Procedure for the Remuneration and Nomination Committee”.

The Committee’s responsibilities include in particular:

- 1) giving opinions on and monitoring the Bank's remuneration policy and supporting the Bank's governing bodies in designing and implementing the policy,
- 2) giving opinions on and monitoring variable remuneration of the management personnel responsible for risk management in dedicated job positions, as well as persons responsible for managing the compliance and the internal audit units,
- 3) giving opinions on the assessment of the suitability of candidates for members and members of the Management Board and the Management Board as a whole ('collective suitability'),
- 4) giving opinions on the assessment of the suitability of candidates for members and members of the Supervisory Board and the Supervisory Board as a whole ('collective suitability'),
- 5) giving opinions on the assessment of the suitability of candidates for members and members of the Internal Audit Committee and the Committee as a whole ('collective suitability').

In 2021, the Remuneration and Nomination Committee was composed of:

- Ireneusz Purgacz – Chairman
- Piotr Adam Wróbel – Deputy Chairman
- Janina Kazimiera Goss – Member
- Robert Krzysztof Czarnecki – Member

The Committee meetings were held on an as-needed basis, mainly to perform the Committee's Work Plan and address the needs of the Bank. In 2021, the Committee held 12 meetings; moreover, on two occasions the Committee made decisions without convening a meeting, as documented in the relevant minutes.

The Committee meetings were mainly devoted to:

- recruitment procedures conducted to select members of the Management Board;
- assessment of the suitability of members of the Supervisory Board and members of the Management Board performed pursuant to Art. 22aa of the Banking Law, and the EBA and ESMA Guidelines – Guidelines of the European Banking Authority and the European Securities and Markets Authority of March 21st 2018 on the assessment of the suitability of members of the management body and key function holders;
- variable remuneration of the Bank's management personnel holding positions with a material impact on the Bank's risk profile, within the meaning of the Regulation of the Minister of Finance, Development Funds and Regional Policy of June 8th 2021 on risk management and internal control systems and remuneration policy at banks, including proposing objectives for individual members of the Management Board.

In the reporting period, the Committee issued opinions, conclusions and recommendations on the remuneration and suitability assessment policies. All the opinions, conclusions and recommendations issued in 2021 were taken into consideration and implemented.

The results of the Committee's work in 2021 included in particular:

- 1) recommendations developed for the Supervisory Board, including with respect to:
 - rules, course and dates of the recruitment procedure for the position of member of the Management Board and conduct of stage 1 of the recruitment procedure for individual positions on the Management Board, including submission of an initial assessment and re-assessment of the individual suitability of candidates for specific positions on the Management Board and the suitability assessment of the Management Board as a collective body;
 - initial assessment of the individual suitability of candidates for members of the Supervisory Board, and assessment of the suitability of the Supervisory Board as a collective body (for the General Meeting);
 - assessment of the suitability of candidates for members of the Internal Audit Committee and assessment of the suitability of the Internal Audit Committee as a collective body (for the Supervisory Board);
 - re-assessment of the suitability of members of the Supervisory Board, members of the Internal Audit Committee and members of the Management Board as part of an annual review of satisfaction of the suitability criteria;
 - conditions for the provision of management services and recommending to the Supervisory Board the amount of fixed remuneration for new members of the Management Board;
 - assessment of the delivery of management objectives set for members of the Management Board for 2020, objectives for areas within their respective remits and individual objectives, as well as settlement of the deferred variable remuneration for 2019 and 2018;
 - management objectives, objectives for areas within their respective remits and individual objectives set for members of the Management Board for 2021;
- 2) giving opinions on and developing recommendations for the Supervisory Board concerning internal regulations, including:
 - amendments to the 'Executive Compensation Policy at Bank Ochrony Środowiska S.A.' and to the form of the management service contract, aimed, among other things, at implementing EU laws regarding capital requirements for financial institutions (the CRD V/CRR II package).
 - amendments to the Rules of Procedure for the Remuneration and Nomination Committee, stemming from the need to formally align the Committee's powers and responsibilities with the requirements laid down in the Regulation of the Minister of Finance of May 7th 2018 on the detailed scope of tasks of nomination committees at significant banks, as expressly stated in Recommendation No. 11.1 of the PFSA Recommendation Z regarding internal governance at banks;
 - diversity policy for members of the Supervisory Board and diversity policy for members of the Management Board, due to the need to implement at the Bank the diversity regulations pursuant to Art. 9 ce of the Banking Law and the Best Practice for WSE Listed Companies 2021;
- 3) giving opinions on and developing recommendations for the Supervisory Board concerning internal regulations which had to be amended to ensure

the Bank's compliance with the provisions of the PFSA Recommendation Z on internal governance at banks, including in particular:

- Remuneration Policy of Bank Ochrony Środowiska S.A.,
- Policy for the assessment of the suitability of candidates for members of the Supervisory Board, members of the Supervisory Board and the Supervisory Board of Bank Ochrony Środowiska S.A.,
- Policy for the assessment of the suitability of candidates for members of the Management Board, members of the Management Board and the Management Board of Bank Ochrony Środowiska S.A.,
- Policy for identifying key functions and the assessment of the suitability of candidates for and persons holding key functions at Bank Ochrony Środowiska S.A.

4) giving opinions on:

- proposed changes to the List of BOŚ S.A. management personnel (i.e. persons holding positions with a material impact on the Bank's risk profile);
- results of the analysis of the materiality of impact of individual subsidiaries on the Bank's risk profile as at June 30th 2021, in accordance with the Executive Compensation Policy at the BOŚ Group;
- amount of variable remuneration for 2020 for management personnel holding positions with a material impact on the Bank's risk profile (Risk Takers);

5) preparation for the Supervisory Board – in accordance with the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority – of the 'Assessment of the implementation of the remuneration policy at BOŚ S.A. in 2021', together with a draft assessment for the corporate body responsible for determining whether the Policy supports the Bank's development and security of operations. For information on the assessment, see Appendix 2 to this Report.

6) preparation for the Supervisory Board – in accordance with the 'Best Practice for WSE Listed Companies 2021' – of Information on the degree of implementation of the diversity policy with respect to the Management Board and the Supervisory Board of the Bank. The Information is attached as Appendix 5 to this Report.

3.3. Environmental Protection Committee

The Environmental Protection Committee is a body appointed by the Supervisory Board to support the Supervisory Board in the development of the Bank's pro-environmental activities. The Committee is an advisory and opinion-giving body.

The key tasks of the Environmental Protection Committee are set out in its Rules of Procedure adopted by the Supervisory Board. The key task of the Committee is to regularly issue opinions and recommendations for the Supervisory Board with regard to the quarterly reports on the Bank's pro-environmental activities, initiatives and types of environmental projects financed by the Bank. The Committee supports the Bank's cooperation with the National and Provincial Funds for Environmental Protection and Water Management and with public administration bodies, including the Ministry of Climate and Environment.

In 2021, the Environmental Protection Committee consisted of the following members:

- Paweł Sałek – Chairman (until December 15th 2021) and Deputy Chairman (from December 15th 2021)
- Andrzej Grzegorz Matysiak – Member (from July 13th to December 15th 2021) and Chairman (from December 15th 2021)
- Janina Kazimiera Goss – Member
- Marcin Adam Jastrzębski – Member

The Committee meetings were held on an as-needed basis, mainly to perform the Committee's Work Plan. In 2021, the Committee held six meetings, as documented in the relevant minutes.

In addition to members of the Committee, the meetings were attended by representatives of the Management Board, management staff, including in particular: Managing Director of the Environmental Protection, Taxonomy and Analyses Division, as well as the Directors and employees of organisational units involved in environmental protection.

In 2021, the Committee meetings were mainly devoted to quarterly reports on the Bank's pro-environmental activities, as well as reports on cooperation with the National and the Provincial Funds for Environmental Protection and Water Management. The Environmental Protection Committee reviewed those reports on a regular basis and issued recommendations on their adoption to the Supervisory Board.

Discussion of the reports on the Bank's pro-environmental activities covered:

- green transaction volumes,
- balance of green loans, taking into account the level of exposure to environmental protection areas specified in the Bank's Development Strategy for 2021–2023,
- net banking income on the green portfolio,
- environmental outcomes and projects completed during the period.

In its discussion of the reports on cooperation with the National and the Provincial Funds for Environmental Protection and Water Management (the NFEPWM and PFEPWMs), the Committee discussed the steps taken to enhance that cooperation, including in particular:

- progress of work on conclusion of the agreement and subsequently on the processing of customer applications under the 'Clean Air' scheme run by the NFEPWM (loans with subsidies),
- preparation for joining the 'My EV' programme, followed by the conclusion of agreements and provision of subsidies to electric vehicle leases,
- results of the joint workshop work that helped define cooperation directions, such as joint financing of selected green transactions or the opening of joint information points for the 'Clean Air' scheme.

Based on the presented reports and analyses, the Environmental Protection Committee highlighted the need for:

- greater involvement and effectiveness of the Bank's efforts to secure loans to finance renewable energy systems for businesses, in particular loans to finance PV solar farms and biogas plants,
- stepping up involvement in specific environmental protection areas, including green transport and sustainable construction,
- considering the provision of financing for waste incineration plants as a potential opportunity to build the Bank's portfolio, as well as transactions to finance the construction of heat generation and biogas plants,
- stepping up the Bank's efforts to secure green transactions carried out in cooperation with local government units, including in connection with letters of promise provided to local governments for the grant of funds under the National Recovery Plan to finance water and wastewater management projects,
- achieving a satisfactory level of income on management by the Bank of the 'My EV' programme.

In addition to those reports, the Committee also discussed other relevant environmental protection issues, including in particular by giving opinions on documents developed as part of efforts to obtain the ESG (E – environmental, S – social, and G – governance) rating, including:

- The 'We are full of green energy' ESG Report,
- ESG Strategy,
- Climate Policy of Bank Ochrony Środowiska S.A.,
- Environmental Policy of Bank Ochrony Środowiska S.A.

The ESG Strategy serves as a roadmap to prepare the Bank for future challenges in various ESG areas, while the climate policy sets the direction of the Bank's efforts to counter and adapt to climate change, as well as to achieve emission reduction targets in line with the ESG Strategy. The Policy's objectives are to be achieved by focusing on: reducing the Bank's carbon footprint, supporting the climate transitions of its clients, including towards low-carbon economic activity, reducing the financing of carbon-intensive sectors and projects, managing climate change risk, tapping the opportunities and potential positive effects of climate change.

3.4. Risk Committee

The Risk Committee supports the Supervisory Board in the supervision of risk, performing the tasks provided for in the Banking Law, the Bank's Articles of Association and resolutions of the Supervisory Board.

In 2021, the Committee consisted of:

- Emil Stanisław Ślęzak, Chairman
- Leszek Jerzy Banaszak, Deputy Chairman
- Wojciech Piotr Wardacki, Member (until June 23rd 2021)
- Andrzej Grzegorz Matysiak, Member (from July 13th 2021)

In 2021, the Committee meetings were held as needed, mainly to perform the Committee's Work Plan and address the needs of the Bank.

In 2021, the Risk Committee met 11 times, as documented in the relevant minutes.

The Committee meetings were attended by: 1) members of the Management Board, 2) Heads of the Head Office organisational units in the Risk Area and, as appropriate, Heads of the Head Office organisational units in other areas, 3) Head of the Internal Audit Department and Head of the Compliance Department, or persons acting in their place.

The Risk Committee's key duty is to support the Supervisory Board in its risk oversight functions. Performing its main tasks, the Committee in particular:

- 1) gives comprehensive opinions on the Bank's current and future risk appetite, as part of which it:
 - receives periodic reports/ information from the Management Board on key events that influence the risk level at the Bank and substantial changes in the risk management process and system,
 - receives periodic reports/information from the Management Board on the risk level, increased exposure to specific risks, the modes of risk identification and monitoring and actions taken to mitigate risks;
- 2) gives opinions on the risk management strategy developed by the Management Board for the Bank and information submitted by the Management Board concerning implementation of the strategy;
- 3) supports the Supervisory Board in the supervision of implementation of the risk management strategy in operations of the Bank by top-level management;
- 4) verifies 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, presents to the Management Board the proposals aimed at ensuring adequacy of asset and liability prices to these types of risk.

In 2021, the Committee, among other things:

- 1) reviewed and issued recommendations to the Supervisory Board with respect to materials and documents on risk management at the Bank, including in particular:
 - 'Banking risk' quarterly reports,
 - regulations governing the management of various risks, including:
 - Banking risk management strategy at BOŚ S.A.,
 - Credit risk management policy at BOŚ S.A.,
 - Concentration risk management policy at BOŚ S.A.,
 - BOŚ S.A.'s liquidity risk management policy,
 - BOŚ S.A.'s policy to manage market risk in the trading book,
 - BOŚ S.A.'s policy to manage interest rate risk in the banking book,
 - Summary of total internal quantitative limits for financial risk at BOŚ S.A.,
 - Long-term plan to raise and maintain stable external funds at BOŚ S.A. for 2021–2023,
 - Liquidity Strategy of BOŚ S.A. for 2021–2023,
 - Operational risk management policy at BOŚ S.A.,
 - Model risk management policy at BOŚ S.A.;

- Policy for the Management of Non-Performing Exposures at BOŚ S.A. and Operational Plan for the management of non-performing and restructured exposures at BOŚ S.A. for 2021–2023;
- 2) considered and issued recommendations to the Supervisory Board with respect to matters related to capital adequacy and internal capital, including in particular:
 - Report on review of the ICAAP process at the BOŚ Group for 2020,
 - BOŚ S.A.’s policy to manage capital and the ICAAP process,
 - BOŚ S.A.’s capital plan;
 - 3) considered and issued recommendations to the Supervisory Board with respect to the results of the review of the ILAAP liquidity adequacy assessment process;
 - 4) considered information on:
 - actions taken with regard to clients in the wind farm portfolio,
 - the HoReCa and shopping centre portfolio.
 - 5) prepared recommendations for the Supervisory Board on assessment of the risk management system at BOŚ S.A. in 2021, based on materials and information received from the Management Board. On a scale from 1 to 4 (where 1 is the best score), the effectiveness of the system, as in the previous year, was rated at 3: ‘Adequate and effective with reservations.’ The Supervisory Board approved the assessment, in accordance with the Committee’s recommendation. For detailed reasons for the assessment, see Appendix 1 to this Report.

3.5. Strategy and Development Committee

The Strategy and Development Committee supports the Supervisory Board and the Management Board in defining the directions for further development of the Bank, including:

- 1) monitoring of the schedule for preparing the Bank’s strategy,
- 2) monitoring of the implementation of the Bank’s strategy,
- 3) presenting to the Supervisory Board the Committee’s position on the desired changes in further strategic development directions for the Bank and the Group,
- 4) presenting 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, performing other tasks supporting the oversight of implementation of the Bank’s business strategy.

In 2021, the Committee consisted of:

- Marcin Adam Jastrzębski, Chairman
- Robert Krzysztof Czarnecki, Deputy Chairman

- Zbigniew Dynak, Member (from July 13th 2021)
- Piotr Adam Wróbel, Member

In addition to the Committee members, the Committee meetings were regularly attended by members of the Management Board, as well as Head of the Strategy and Organisation Department and heads of other organisational units, as appropriate, and, where possible and needed, by the Chairman of the Supervisory Board.

In 2021, the Strategy and Development Committee met 12 times.

In the first half of 2021, five meetings of the Committee were held to prepare the Bank's new development strategy for 2021–2023. The discussions centred on strategic analyses (including SWOT strategic potential analysis, analysis of HR functions, macroeconomic conditions, financial prospects, market challenges in the area of pro-environmental changes in Poland, analysis of market trends) and determination of the Bank's strategic development directions (including trends in the banking sector, green transformation, mission and vision of the Bank, change of the business model, prospective and preferred strategic development directions). On June 21st 2021, the Committee recommended that the Supervisory Board approve the Bank's Development Strategy for 2021–2023.

In accordance with the Committee's recommendation, the Supervisory Board:

- approved the Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023 on June 22nd 2021, and
- obliged the Management Board to prepare the Strategy implementation plan, including a path of achieving its objectives in the individual years.

In the second half of 2021, the Committee met seven times, mainly to support the Management Board in the preparation and implementation of an operationalisation plan for the newly adopted Strategy of the Bank. On September 29th 2021, the Supervisory Board approved the Strategy Operationalisation Plan, as recommended by the Committee.

In addition to the activities mentioned above, the Committee:

- monitored the progress of the implementation of the Bank's Development Strategy for 2021–2023 adopted in June 2021, and read the annual report on the implementation of the Bank's Strategy in 2020,
- discussed issues related to: a/ state and development of the IT function at the Bank, b/ Sales Strategy, c/ financing programme for heat distribution companies.

[4. Summary of the activities of the Supervisory Board in 2021, including self-assessment of its performance](#)

In line with the 'Best Practice for WSE Listed Companies 2021', the Supervisory Board presents to the General Meeting a summary of its activities in 2021, including self-assessment of its performance.

In 2021, the Supervisory Board held 16 meetings (including one two-day meeting) and 11 votes without convening a meeting, leading to the adoption of the proposed resolutions.

The number of Supervisory Board meetings significantly exceeded the applicable minimum required both under Art. 19.2 of the Bank's Articles of Association (*"Meetings of the Supervisory Board are convened by the chairperson as necessary, at least once every quarter"*) and Art. 389.3 of the Commercial Companies Code (*"Meetings of the Supervisory Board should be convened as necessary, but no less frequently than three times in a financial year"*).

As a rule, all members of the Supervisory Board attended its meetings. The few absences were justified.

To ensure a diverse composition of the Supervisory Board, persons appointed to the Supervisory Board represented and continue to represent various educational backgrounds and skills, high qualifications and extensive professional experience. Each member of the Supervisory Board made an effort to stay up to date with the Bank's situation, not only because of the position held, but also because of their education, experience and interests. Important observations and opinions of Supervisory Board members were recorded in the minutes of Supervisory Board meetings.

All Supervisory Board members performed their functions actively, showing the required commitment to the work of the Supervisory Board as a collective body. Supervisory Board members committed sufficient time to perform their duties related to serving on the supervisory body, including on the committees of the Supervisory Board (each Supervisory Board member sat/sits on at least one Committee). It was also agreed that all members of the Supervisory Board, including those who are not members of a Committee, may attend meetings of that Committee (members of the Supervisory Board actively avail themselves of that opportunity). Active commitment of each member of the Supervisory Board allowed the Supervisory Board to duly perform its tasks as a collective supervisory body.

The responsibilities required of the Supervisory Board were fulfilled in a timely manner and with utmost care. Decisions were made following thorough consideration and taking account of the Management Board's arguments. In 2021, the activities of the Supervisory Board covered matters included in the Supervisory Board's annual framework Work Plan, as well as those related to the Bank's day-to-day operations.

The Supervisory Board has favourably assessed its own performance in 2021. In the light of the requirements set out in the Code and the Articles of Association, the Supervisory Board duly performed its duties related to the ongoing supervision of the Bank, as demonstrated in particular in the ongoing monitoring of:

- progress in implementing the Recovery Programme ("RP") and current financial condition of the Bank. Due to its materiality to the Bank, this issue was discussed at each meeting. The Supervisory Board reviewed regular

- (monthly) information on the Bank's financial results, both in relation to the RP and against peer performance. The Supervisory Board paid particular attention to the need to take more active and effective steps to enhance the Bank's revenue, including by increasing the balances of loans and scale of lending activity;
- progress in implementing measures to improve the Bank's profitability. Every month, the Supervisory Board reviewed and approved monthly reports on that subject, prepared for the Polish Financial Supervision Authority;
 - progress in implementing the PFSA's post-inspection recommendations with regard to anti-money laundering and combating the financing of terrorism (AML/CFT). Every month, the Supervisory Board reviewed and approved monthly reports on that subject, prepared for the Polish Financial Supervision Authority;
 - the Bank's exposure to the wind farm sector (*the Bank's exposure to the sector resulted in an increase in the concentration risk and, consequently, the need to recognise additional impairment losses and a decrease in the Bank's net profit as at the end of 2016*). The Management Board – in line with the Supervisory Board's expectations – regularly presented at Supervisory Board meetings information about the wind farm portfolio and the condition of individual farms as well as information about managing the related risk. The measures taken significantly improved the structure of the wind farm portfolio (currently, almost 99% of the portfolio consists of healthy exposures);
 - the Bank's exposure to the HoReCa (hotels, restaurants, catering) sector. The Supervisory Board continuously monitored the condition of entities financed by the Bank given that the HoReCa sector was highly exposed to adverse effects of restrictions imposed to contain the spread of the COVID-19 pandemic;
 - the quality of managing different types of banking risk. Detailed information in this regard was reviewed on a quarterly basis by both the Supervisory Board and the Risk Committee;
 - the quality of compliance risk management as well as the results of internal control and audit procedures and the results of external audits. Detailed information in this regard was reviewed on a quarterly basis by both the Supervisory Board and the Internal Audit Committee;
 - pro-environmental activities of the Bank, including the financing of environmental projects, in particular in partnership with the National and the Provincial Funds for Environmental Protection and Water Management – as part of the mission stated in the Articles of Association of BOŚ S.A. Detailed reports on that subject were reviewed on a regular basis by both the Supervisory Board and the Environmental Protection Committee.

In addition to the regular assessment of the Bank's standing after the end of each month and quarter, as demonstrated by taking the above measures, key matters addressed by the Supervisory Board in 2021 included:

- taking steps to achieve the target composition of the Management Board, including in particular conducting the necessary recruitment procedures and

- appointing two Management Board members responsible for the Business Area and the Environmental Protection and Climate Area;
- consideration and, if thought fit, passing resolutions on matters falling within the exclusive powers of the Supervisory Board, including in particular:
 - assessment of the delivery of management objectives, objectives for areas within their respective remits and individual objectives set for members of the Management Board for 2020;
 - setting management objectives, objectives for areas within their respective remits and individual objectives for members of the Management Board for 2021;
 - adopting the ‘Policy for the assessment of the suitability of candidates for members of the Management Board, members of the Management Board and the Management Board of Bank Ochrony Środowiska S.A.’;
 - review and assessment of the Bank’s and the BOŚ Group’s financial statements for 2020, the Directors’ Report on the operations of the Bank and the BOŚ Group in 2020, as well as reviewing and issuing opinions on materials to be presented to the Annual General Meeting of BOŚ S.A. held on June 23rd 2021;
 - monitoring of the Bank’s operating expenses, including in the context of outsourced services, the Bank’s organisational structure and human resources;
 - consideration and approval of a number of documents submitted to the Supervisory Board by the Management Board, including in particular:
 - Banking risk management strategy at BOŚ S.A. and policies for management of individual types of risk, including: Concentration risk management policy, Credit risk management policy, Liquidity risk management policy, Policy to manage market risk in the trading book, Policy to manage interest rate risk in the banking book, Summary of total internal quantitative limits for financial risk at BOŚ S.A.,
 - Model risk management policy at Bank Ochrony Środowiska S.A.,
 - BOŚ S.A. Liquidity Strategy for 2021,
 - Long-term plan to raise and maintain stable external funds at Bank Ochrony Środowiska S.A. for 2021,
 - Rules of procedure for the Compliance Department and the Action Plan of Bank Ochrony Środowiska S.A. Compliance Department for 2021,
 - Internal audit chart – rules for the operation of the internal audit unit at BOŚ S.A.,
 - Internal control system at BOŚ S.A.,
 - Disclosure policy – rules governing disclosure by BOŚ S.A. of qualitative and quantitative information on capital adequacy,
 - Investment strategy of Bank Ochrony Środowiska S.A.,
 - Group Recovery Plan of the BOŚ Group,
 - BOŚ S.A.’s policy to manage capital and the ICAAP process,
 - Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023,
 - Executive Compensation Policy of the Bank and the BOŚ Group,
 - Bank’s capital plan for 2021,
 - Rules of participation in the General Meeting using means of electronic communication,
 - Bank Ochrony Środowiska S.A.’s New Product Approval Policy,

- Policy for identifying key functions at the Bank and for appointing and dismissing persons who hold such functions, including the assessment of the suitability of candidates for and persons holding key functions at Bank Ochrony Środowiska S.A.,
- Policy to counteract and manage conflicts of interest at Bank Ochrony Środowiska S.A.,
- Policy for the management of non-performing exposures at BOŚ S.A.

Furthermore – in accordance with the requirements set out in the Commercial Companies Code, the ‘Principles of Corporate Governance for Supervised Institutions’ and Recommendation Z issued by the Polish Financial Supervision Authority, the Best Practice for WSE Listed Companies and the Act on State Property Management – the Supervisory Board:

- assessed the Bank’s standing in 2021 on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function (Appendix 1 to this Report);
- assessed the implementation of the Remuneration Policy in 2021 and prepared a draft assessment for the corporate body responsible for determining whether the Policy supports the Bank’s development and security of operations (Appendix 2 to this Report);
- assessed the validity of expenses incurred by the Bank and its Group to sponsor culture, sports, charities, media, social organisations, trade unions, etc. (Appendix 3 to this Report);
- assessed Bank Ochrony Środowiska S.A.’s compliance with the ‘Principles of Corporate Governance for Supervised Institutions’, issued by the Polish Financial Supervision Authority on July 22nd 2014, and the fulfilment by the Bank of the disclosure requirements regarding compliance with the corporate governance principles, as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic reports in 2021 (Appendix 4 to this Report);
- assessed the degree of implementation of the diversity policy for the Management Board and the Supervisory Board of the Bank (Appendix 5 to this Report);
- assessed the adequacy of the Rules of Procedure for the Supervisory Board and prepared information for the General Meeting on the adoption of those Rules by the Supervisory Board (Appendix 6 to this Report);
- assessed the Directors’ Report on the operations of the BOŚ Group in 2021, prepared together with the Directors’ Report on the operations of the Bank, as well as the Bank’s and the BOŚ Group’s financial statements for 2021, for their consistency with the accounting records, supporting documents and facts. The Supervisory Board issued a relevant statement, which was published on March 31st 2021, together with the Bank’s and the Group’s annual report for 2021.

In addition, the Supervisory Board considered and approved the ‘Report on expenses incurred in 2021 on entertainment and on legal, marketing, public relations, social communication and management consultancy services in 2021’, presented to the Annual General Meeting by the Management Board.

Submitting the above information and self-assessment, the Supervisory Board, in the light of relevant obligations imposed on supervisory boards:

- favourably assesses its performance in 2021 and states that it duly performed its duties related to the ongoing supervision of the Bank;
- requests the General Meeting to issue a favourable assessment of the activities of the Supervisory Board in 2021, i.e. to accept and approve the presented self-assessment.

5. Satisfaction of the independence criteria by members of the Supervisory Board in 2021

In 2021, the Supervisory Board of BOŚ S.A. was composed of:

- Leszek Jerzy Banaszak
- Robert Krzysztof Czarnecki
- Zbigniew Dynak (from June 23rd 2021)
- Janina Kazimiera Goss
- Marcin Adam Jastrzębski
- Marzena Koczut (until February 10th 2021)
- Andrzej Grzegorz Matysiak (from June 23rd 2021)
- Ireneusz Purgacz
- Paweł Sałek
- Emil Stanisław Ślęzak
- Wojciech Piotr Wardacki (until June 23rd 2021)
- Piotr Adam Wróbel

In compliance with the requirements laid down in:

- the 'Code of Best Practice for WSE Listed Companies,' adopted by the Bank,
- European Commission Recommendation on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board, *which states that the Supervisory Board should determine independence of its Members.*
- the Rules of Procedure for the Supervisory Board,

the Supervisory Board assessed whether there are any relationships or circumstances which might affect the satisfaction of specific independence criteria by members of the Supervisory Board.

Based on the representations made by members of the Supervisory Board (referring to the independence criteria specified in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017), as well as the assessment made, the Supervisory Board determined independence of its members, recognising that the following members

- met the independence criteria as at December 31st 2021: Leszek Jerzy Banaszak, Zbigniew Dynak, Janina Kazimiera Goss, Marcin Adam Jastrzębski, Ireneusz Purgacz, Paweł Sałek, Emil Stanisław Ślęzak (seven persons)

- did not meet the independence criteria as at December 31st 2021, due to professional relationships with shareholders holding 5% or more of total voting rights in BOŚ S.A.: Robert Krzysztof Czarnecki, Andrzej Grzegorz Matysiak, Piotr Adam Wróbel (three persons).

Thus, the condition set out in the 'Code of Best Practice for WSE Listed Companies': *"At least two members of the supervisory board meet the criteria of being independent referred to in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017, and have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company"* was met at the Bank.

The Supervisory Board also announces that the independence criteria set out in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 were satisfied by all the Supervisory Board members sitting on the Internal Audit Committee.

6. Satisfaction by members of the Supervisory Board of the requirements of Art. 129.1 and Art. 129.5 of the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 (Dz.U. of 2020, item 1415)

The Act on Statutory Auditors, Audit Firms, and Public Oversight of May 11th 2017 introduced specific requirements for Supervisory Board members who serve on the Internal Audit Committee:

- 1) Art. 129.1 of the Act requires that at least one member of the Internal Audit Committee has knowledge of and skills in accounting or financial auditing.

Based on representations made by members of the Internal Audit Committee, the Supervisory Board concludes that this requirement was met at the Bank;

- 2) Pursuant to Art. 129.5 of the Act, the Internal Audit Committee members should have the knowledge of and skills in banking. This requirement is deemed met if at least one member of the Internal Audit Committee has such knowledge and skills or individual members have the knowledge and skills specific to different aspects of banking.

Based on representations made by members of the Internal Audit Committee, the Supervisory Board concludes that this requirement was met at the Bank.

7. Report of the Supervisory Board on the assessment of:

- the statements and reports of the Bank and the BOŚ Group for 2021 with respect to their consistency with the accounting records, supporting documents and facts;
- the Management Board's proposal on allocation of the Bank's profit for 2021.

Pursuant to Art. 382.3 of the Commercial Companies Code and Art. 43.1 and Art. 43.2 of the Bank's Articles of Association, the Supervisory Board of Bank Ochrony

Środowiska S.A. assessed the following statements and reports with respect to their consistency with the accounting records, supporting documents and facts:

- 1) full-year consolidated financial statements of the Bank Ochrony Środowiska Group for the year ended December 31st 2021 (consolidated financial statements),
- 2) full-year financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2021 (separate financial statements),
- 3) Directors' Report on the operations of the Bank Ochrony Środowiska Group in 2021, containing the Directors' Report on the operations of Bank Ochrony Środowiska S.A.

The Supervisory Board assessed these financial statements as consistent with the accounting records, supporting documents and facts. The Supervisory Board made this assessment based on:

- the information and data contained in the above statements and reports presented to the Supervisory Board by the Management Board,
- the auditor's report on the audit of the consolidated financial statements and the separate financial statements, as well as the audit firm's additional report prepared for the Internal Audit Committee,
- meetings with representatives of the audit firm, including the lead auditor,
- positive recommendations of the Internal Audit Committee on the audited financial statements.

The correctness of the consolidated financial statements and the correctness of the separate financial statements were also confirmed by the authorised independent auditor (who issued an unqualified audit report).

The Supervisory Board's statement regarding the assessment was published in the annual report on March 31st 2022, pursuant to Par. 70.1.14 and Par. 71.1.12 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, and Art. 20.11.9 of the Articles of Association of Bank Ochrony Środowiska S.A.

Furthermore, having considered, on May 25th 2022, the Management Board's proposal concerning allocation of the Bank's profit for 2021, the Supervisory Board issued a positive opinion on the proposal, whereby the entire profit of PLN 48,714,000 (forty-eight million, seven hundred and fourteen thousand zloty) was proposed to be allocated to statutory reserve funds.

The Supervisory Board issued a positive opinion on the draft resolution of the General Meeting on the matter, recommending that the General Meeting vote in favour of the resolution.

Submitting this Report, along with the assessments and information contained in the appendices, the Supervisory Board requests the General Meeting for approval of this Report, and in particular:

- for a favourable assessment of the Supervisory Board's performance in 2021, i.e. acceptance and approval of the self-assessment submitted by the Supervisory Board;
- for a favourable assessment of the adequacy of the Rules of Procedure for the Supervisory Board and approval of the information on their adoption by the Supervisory Board.

S.A.

For the Supervisory Board of Bank Ochrony Środowiska

Chairman

/ - /

Emil Ślązak, PhD, Warsaw School of Economics

Assessment of the Bank's standing in 2021 on a consolidated basis, including assessment of the internal control, risk management and compliance systems and the internal audit function

The Supervisory Board's assessment is based on the corporate governance principles laid down in the 'Best Practice for WSE Listed Companies 2021'.

The Supervisory Board assessed the Bank's standing in 2021 based on the materials reviewed during the year at Supervisory Board meetings, including in particular on the basis of:

- monthly information on the Bank's economic and financial condition,
- quarterly reports from the compliance function and the internal audit unit's reports on the results of audits and inspections, as well as on the basis of other materials and reports on the Bank's operations, including in particular on risk management,
- analysis of the Directors' Report on the operations of the BOŚ Group in 2021, containing the Directors' Report on the operations of the Bank;
- analysis of the full-year financial statements of BOŚ S.A. for the year ended December 31st 2021 and the full-year consolidated financial statements of the BOŚ Group for the year ended December 31st 2021;
- the auditor's report on the audit of the financial statements for 2021 referred to above as well as information from the auditor concerning the course and results of the audit.

1. Brief assessment of the Bank's and the BOŚ Group's standing in 2021

In its assessment of the Bank's and the BOŚ Group's standing in 2021, the Supervisory Board takes into account the following facts:

- 1) In 2021, the BOŚ Group earned a net profit of PLN 47.5 million, compared with a loss of PLN 306.9 million reported in the previous year. The Group delivered improved results from its core business, both in terms of net interest income and fee and commission income.
- 2) Net interest income was PLN 5.1 million higher than in 2020 as interest expense fell more than interest income. Interest income decreased by PLN 86.4 million, mainly from institutional clients, whereas interest expense went down by PLN 91.5 million. The decrease was mainly attributable to lower costs of retail accounts and deposits.
- 3) Net fee and commission income increased by PLN 7.3 million year on year, mainly as a result of higher commission fees on loans and guarantees, as well as revenue from account handling fees, and other payment transactions in domestic and foreign trade. As in 2020, brokerage fees had a significant effect on the Group's net fee and commission income.
- 4) The Group's administrative expenses rose by PLN 19.3 million relative to 2020, mainly due to a PLN 20.4 million increase in salaries and wages in

areas related to business development, security, anti-money laundering and IT.

- 5) Net profit (loss) earned by the Group in 2021 was materially affected by additional provisions of PLN 20.8 million for the legal risk of foreign currency mortgage loans. The additional provisions were recognised following an increase in the number of cases brought to court. In 2020, the total amount of provisions for the legal risk was PLN 353.0 million.
- 6) In 2021, the key profitability and efficiency ratios for the BOŚ Group improved on 2020: return on equity (ROE) and return on assets (ROA) were 2.5% and 0.2%, respectively, while in 2020 these ratios were negative. The cost/income ratio was 64.9%, having increased by 2.9pp year on year (due mainly to higher costs). Interest margin on total assets fell to 1.8% from 1.9% the year before, due mainly to lower market interest rates compared with the beginning of 2020.
- 7) The share of amounts due from clients with indications of impairment in the entire portfolio measured at amortised cost was 13.6% as at December 31st 2021, compared with 13.1% as at the end of 2020.
- 8) As at the end of 2021, the Bank's share in the Polish banking sector (based on PFSA data on the banking sector, including foreign branches) was as follows:
 - total assets – 0.8% (2020: 0.9%),
 - non-financial sector deposits – 1.1% (2020: 1.2%),
 - loans and advances – 0.8% (2020: 0.9%).
- 9) On October 28th 2021, Fitch raised Bank Ochrony Środowiska's rating outlook from negative to stable. In its report, the agency stated that the confirmation of the Bank's ratings and outlook upgrade reflected its view that the rapid economic recovery and adaptation of the Bank's business model should support the quality of assets and operating profitability over the next two years.

The Supervisory Board emphasises that:

- 1) Despite the recognition of provisions for the risk related to mortgage loans denominated in foreign currencies, of PLN 462 million, the capital adequacy ratio of the BOŚ Group as at December 31st 2021 was above the levels recommended by the Polish Financial Supervision Authority (the "PFSA"), the Tier 1 capital ratio was 13.26% (compared with 13.09% in 2020), while the TCR was 14.61% (relative to 14.86% the year before). The Tier 1 capital ratio and TCR of the Bank were, respectively, 13.38% (end of 2020: 13.17%) and 14.31% (2020: 14.38%), while the minimum levels recommended by the PFSA are 9.0% for the Tier 1 capital ratio and 11.16% for the TCR.

This means that both the Bank and the Group companies maintained capital safety ratios above the minimum regulatory levels.

- 2) Although the Bank Group operated in the economy that in 2021 continued to be affected by the COVID-19 pandemic, it maintained full operational capacity and, compared with December 31st 2020, reported:
 - improvement in net result, which was positive at PLN 47.5 million compared with the PLN 306.9 million net loss reported in 2020,
 - increase in net interest income by PLN 5.1 million, i.e. 1.4% on 2020,
 - 5.4% increase in fee and commission income relative to 2020,

- increase in the share of green loans to 36.9% of the Bank's total lending portfolio (December 31st 2020: 36.3%),
 - 40% share of green loans in total loan sales,
 - 26.8% increase in loan sales on 2020.
- 3) In 2021, the Bank continued to expand its operations on the market of green project financing. As at the end of 2021, loans granted for projects supporting environmental protection and sustainable development accounted for 36.9% of the Bank's total loan portfolio (36.3% as at the end of 2020). As at December 31st 2021, green loans amounted to PLN 4.7 billion, up by 1.4% on 2020.
 - 4) In line with the Strategy for 2021–2023, in December 2021 the Bank obtained an ESG rating.
 - 5) In keeping with the new Strategy, the Bank carried out an analysis of the efficiency of its branch network, resulting in a difficult decision to restructure the sales network, i.e. close down some of the Bank's retail outlets. Affected employees were offered aid packages, some of them also new positions elsewhere in the Bank. There are also plans to open three new business centres, which would allow the Bank to strengthen its presence in the corporate and local government segments.
 - 6) The Bank is strongly committed to the digital transformation process. Process robotisation, which has already proved successful in some areas, has been continued. Business efficiency remains the primary criterion when selecting the processes to be robotised.

A new front office system, KONDOR+, has been purchased under one of the strategic initiatives. When implemented, it will result in improved efficiency and quality of services and automation of the liquidity, market and credit risk management processes.

- 7) A number of activities have been undertaken to transform the Bank's corporate culture in order to ensure that BOŚ is a modern and flexible organisation, while nurturing its most precious values, such as respect for others and the environment, commitment, cooperation and professionalism.
- 8) In 2021, the Bank's products, developed to meet client needs, received numerous distinctions and awards:
 - in February 2021, a green mortgage loan offered by the Bank came first in the 'Green mortgage loans' ranking prepared by the bankier.pl web service,
 - in March 2021, BOŚ's supply chain financing product based on mixed factoring was awarded in the 'Finance Order' poll organised by the *Home&Market* magazine in the 'Factoring' category,
 - in April 2021, Bank Ochrony Środowiska was listed third in the 'Cash Loan' and 'Mortgage Loan' categories of the 'Golden Banker' ranking,
 - in April 2021, the Responsible Business Forum distinguished and recognised two further initiatives of BOŚ: the 'Photovoltaic Installation Calculator' and a series of environmental education courses,

- in October 2021, BOŚ received an international award ‘Best Green Banking Solutions CEE 2021’ for the best green banking solutions in Central and Eastern Europe in 2021.

In 2021, both the Bank and Dom Maklerski BOŚ received numerous awards for their activities.

- The Bank:
 - was awarded the title of ‘Sustainable Finance Leader’,
 - was honoured with a Silver CSR Leaf by the *Polityka* weekly,
 - received a ‘Friendly Workplace 2021’ award from the editorial board of *MarkaPracodawcy.pl*, one of Poland’s most respected and influential HR web portals,
 - was ranked third in the ‘Outsourcing’ category of the ‘Laur CESSIO’ competition,
 - received an award from the Polish Chamber of the Environment for the reduction of its carbon footprint by almost 50%,
 - advanced in two rankings: in the ‘Bank for Kowalski’ category of the ranking compiled by *Newsweek* the Bank moved up one position (from 12th to 11th), and three positions in the *Forbes* ranking (to 13th from 16th in 2020). The ranking is based on a Mystery Shopper survey.
- Dom Maklerski BOŚ S.A.:
 - was voted the Best Brokerage House of the Year in the 18th Nationwide Investor Survey carried out by the Polish Association of Retail Investors,
 - was awarded the Bull and Bear prize in the Best Brokerage House category by the editors of the *Gazeta Giełdy i Inwestorów ‘Parkiet’* daily,
 - received three awards for its activity on the Polish Power Exchange,
 - received *Gazeta Finansowa’s* ‘Financial Brand of the Year’ award in the ‘Brokerage House’ category “for quality research, easily accessible market information and prices, and care for clients’ financial education”.

It should also be noted that in February 2021, Wojciech Hann, the then Vice President of the Management Board heading the Management Board, and Radosław Olszewski, President of the Management Board of Dom Maklerski BOŚ, were named among the ‘Financial Professionals of the Year 2020’ by the *Gazeta Finansowa* newspaper. In January 2021, for another consecutive year, the Bank’s economists were ranked among the best in the competition for the most accurate macroeconomic and market forecasts in 2020 organised by the *Gazeta Giełdy i Inwestorów ‘Parkiet’* daily. In March 2021, the Bank’s economists took the second place in the 13th edition of the competition for the best macroeconomic analysts, organised by the editorial boards of two Polish dailies, *Parkiet* and *Rzeczpospolita*.

- 9) In 2021, BOŚ S.A. put in place a number of operational solutions to maintain business continuity and mitigate the epidemic risk, both for employees and for clients visiting the Group’s branches. A significant number of BOŚ S.A. employees were working remotely.

10) The Bank offered its clients special solutions to mitigate the negative effects of COVID-19, including support in maintaining financial liquidity. The following facilities and solutions were available to clients of the Bank:

- Guarantees under the Portfolio Guarantee Facility of the BGK Liquidity Guarantee Fund (PLG FGP) as security for liquidity loans. The product was available for both new overdraft and credit facilities as well as renewals, and was intended for medium-sized and large enterprises. The total sales of loans secured with the PLG FGP guarantees were PLN 813.9 million in 2021 and PLN 626.5 million in 2020;
- Biznesmax Guarantees from the Guarantee Fund of the BGK Smart Growth Operational Programme to support innovative projects in the SME sector. The total amount of credit facilities secured with Biznesmax Guarantees was PLN 278.4 million in 2021 and PLN 125.9 million in 2020;
- Guarantees under the de minimis guarantee scheme implemented as part of the government programme 'Support for Entrepreneurship Using BGK Sureties and Guarantees', implemented to improve access to financing. The total amount of credit facilities secured with the PLD-KFG de minimis guarantees was PLN 197.3 million in 2021 and PLN 159.1 million in 2020;
- Factoring guarantees from the Factoring Portfolio Guarantee Facility from the BGK Liquidity Guarantee Fund (FPGF LGF). The product is offered as a liquidity instrument to clients in the SME sector and to large enterprises affected by the COVID-19 pandemic, irrespective of the industry. The total amount of credit facilities secured with factoring guarantees was PLN 285.4 million in 2021 and PLN 88.0 million in 2020;
- Financial subsidies offered under Financial Shield 2.0 available via BOŚ S.A. from the Polish Development Fund (PFR). A total of 126 applications for financial subsidies were approved under PFR Shield 2.0 for a total amount of PLN 43.9 million. Under PFR Shield 1.0, 1,006 applications for financial subsidies totalling PLN 285 million were approved;
- Special solutions for borrowers under the Jessica and Jeremie facilities to mitigate negative effects of the COVID-19 pandemic.

In 2021, BOŚ S.A. expanded its offering of BGK portfolio guarantees to include two new products:

- On March 17th 2021, the Bank signed Portfolio Guarantee Line Agreement with BGK to expand the offering of BGK portfolio guarantees available to the Bank's clients. The agreement was concluded as part of the Agricultural Guarantee Fund;
- On June 24th 2021, the Bank signed the EFPiG Portfolio Guarantee Line Agreement with BGK. Under the agreement, the Bank launched a guarantee for individuals wishing to apply for a preferential green loan enabling them to obtain a grant from the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) for partial repayment of loan principal under the 'Clean Air' NFOŚiGW Priority Programme.

11) The Bank prepared the Compromise and Settlement Programme for clients repaying foreign currency-linked mortgage loans under rules proposed by the Chairman of the Financial Supervision Commission. The Programme was launched on January 31st 2022.

In its assessment of the Bank's standing in 2021, the Supervisory Board:

- emphasises that the Bank launched the Group Recovery Plan, approved by the Polish Financial Supervision Authority on December 17th 2021. The Plan replaced the Bank's Recovery Programme. The remedial measures, consistently pursued under the Group Recovery Plan, are designed to achieve sustainable profitability of the Bank.
- The Supervisory Board notes that there are still areas offering improvement potential. In particular:
 - further work is required to ramp up sales and, consequently, increase the Bank's revenue and loan balance, as well as to increase efforts to expand client base and further improve the quality of client service;
 - it is necessary to enhance the Bank's operational efficiency, as reflected in the ROE, ROA and C/I ratios.

The Supervisory Board:

- takes a positive note of the fact that the Bank, in keeping with its mission and in partnership with other entities involved in green project financing in Poland, has been taking active steps to further strengthen its position on the market for financing environmental projects and seeking to increase the value of the Bank as a significant entity involved in green project financing in Poland. The Bank's development directions for the coming years are set out in the following strategic documents approved by the Supervisory Board in 2021:
 - Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023,
 - ESG Strategy of Bank Ochrony Środowiska S.A.

The documents provide a comprehensive framework for the Bank's approach to sustainable development. They also present a set of actions undertaken to improve the Bank's performance in terms of environmental protection, commitment to society and highest standards of corporate governance. The Strategy's objectives – measurable and enabling progress to be monitored over time – are aligned with the ESG criteria. The Supervisory Board notes that efforts to further deepen and strengthen cooperation between the Bank and its strategic shareholder should be continued;

- points out that the Bank's operations will be affected by the macroeconomic and market situation in the wake of Russia's military invasion of Ukraine on February 24th and the economic sanctions imposed by the European Union, the US and other countries on Russia and Belarus. This is causing supply and demand disruptions for European economies, including Poland. The consequences of the conflict in Ukraine will include stronger price volatility and weaker economic activity in Europe and Poland relative to pre-invasion forecasts. These developments have not yet had any material adverse effects on the Bank. Although the results of stress tests show a moderate increase in exposure to liquidity risk, interest rate risk in the banking book, and counterparty credit risk, its impact on risk remains acceptable for the Bank.

2. Assessment of the internal control, risk management and compliance systems and the internal audit function.

The purpose of these systems is to ensure effective and efficient operations of the Bank, as well as compliance with the applicable laws in all aspects of its business.

The Supervisory Board supervised the operation and effectiveness of these systems at the Bank, with active participation of the Internal Audit Committee and the Risk Committee.

2.1 Assessment of the internal control system at the Bank and the BOŚ Group

The purpose of the internal control system is to ensure effective and efficient operations of the Bank, reliability of its financial reporting, compliance with the Bank's risk management framework, compliance of the Bank's operations with the applicable laws, internal regulations and market standards.

The internal control system comprises:

- the control function, designed to ensure compliance with controls, including in particular risk management at the Bank; it covers positions, groups of people, or organisational units in charge of the tasks assigned to the function;
- the compliance function, responsible for identification, assessment, control and monitoring of the Bank's risk of non-compliance with the law, internal regulations and market standards, and related reporting;
- the independent internal audit function, which is to independently and impartially examine and evaluate the adequacy and effectiveness of the risk management and the internal control systems, excluding the internal audit function.

The internal control system covers all areas of the Bank's business, processes, operations, transactions and other activities of business centres, operating branches and the Head Office; it also covers all levels of the Bank's organisational structure within the three lines of defence.

The internal control system is supervised by the Supervisory Board, which assesses the adequacy and effectiveness of the system, in particular on the basis of:

- internal tools specified in the management information system, i.e.:
 - periodic reports and information prepared by the internal audit unit and the compliance function,
 - periodic information on individual types of banking risk,
 - other periodic information prepared by the Head Office's organisational units, including on the Bank's security, prevention of money laundering and the financing of terrorism, security of the ICT environment, the adequacy and functionality of IT systems, and other aspects;

- external tools based mainly on the PFSA's Supervisory Review and Evaluation Process (BION), ¹the findings of thematic inspections carried out by the PFSA, the external auditor's reports and opinions on the audit of the Bank's and the BOŚ Group's financial statements, and other reports on control and supervisory activities with respect to the Bank;

The consultative body for the Bank's Supervisory Board is the Internal Audit Committee, whose remit includes, without limitation:

- monitoring of the adequacy and effectiveness of the internal control system, internal audit unit, and compliance unit,
- direct supervision of the internal audit unit.

Having performed its supervisory tasks and taking into account the recommendation of the Internal Audit Committee, the Supervisory Board rated the effectiveness and adequacy of the internal control system at BOŚ S.A. and the Group in 2021 at 3: 'Adequate and effective with reservations' (on a scale from 1 to 4, where 1 is the best score). The score was the same as in 2020.

The key factors behind the assessment of the internal control system in 2021 included:

- the operation of the Bank's risk management and internal control systems, which are organised around three independent levels (three lines of defence);
- an update of material processes and the control function matrix, including identification of controls for material processes at the Bank;
- a review of the Internal Audit Department's Risk Map, which revealed that only one (1%) out of the 75 processes covered by the Map had inadequate and ineffective controls; 4% of the processes had adequate and effective controls, 72% – adequate and effective internal controls with some shortcomings, and the remaining 23% – adequate and effective controls with reservations;
- the findings of thematic inspections carried out by the Polish Financial Supervision Authority ("PFSA"), concerning: 1) assessment of the asset quality, credit risk management and compliance with the recommendations issued after a comprehensive inspection carried out in 2017, 2) correctness of the calculated capital ratios, 3) performance of the statutory obligations of an essential service operator;
- the findings of the Internal Audit Department's assessment of compliance with the recommendations issued after inspections performed by supervisory and inspection bodies;
- the findings of planned and ad hoc audits carried out at the Bank and the subsidiaries. Following the identification of inefficiencies or irregularities, in 2021 recommendations were issued and steps were taken to mitigate the identified risk factors,
- assessment of the adequacy and effectiveness of the internal control system in the processes, performed during internal audits,

¹ the PFSA's supervisory assessment carried out using the 'Methodology for the audit and supervisory assessment of commercial, affiliating and cooperative banks'.

- the findings of horizontal and vertical tests of controls, carried out periodically by the Compliance Department, including recommendations to improve the functioning of these controls,
- compliance risk assessment presented in the Compliance Department's periodic information and reports on compliance risk management at the Bank and the BOŚ Group,
- the findings of the annual monitoring of the internal audit unit's activities, i.e. self-assessment of the Internal Audit Department for 2021, affecting the Programme to ensure and raise the quality of the Department's work, and the 'Internal Audit Department's Strategy for 2021–2023 consistent with the Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023',
- progress in the implementation of recommendations issued by:
 - the Internal Audit Committee as part of its supervisory activities,
 - the Internal Audit Department as part of ongoing internal audits,
 - the supervisory and inspection bodies following external inspections,
- the results of the PFSA's Supervisory Review and Evaluation (BION),
- external ratings for the Bank (confirmation of the Bank's rating, upgrade of its rating outlook from negative to stable by Fitch Ratings, and assignment of an ESG rating).

The audits carried out in 2021 did not reveal any critical irregularities.

The post-audit findings as well as the recommendations and their implementation were reported on a quarterly basis to the Bank's Management Board, the Internal Audit Committee and the Supervisory Board.

2.2. Assessment of the internal audit function

The Supervisory Board is of the opinion that the internal audit function is performed effectively and efficiently, covering all of the Bank's units and subsidiaries.

This opinion is based on:

- the independent external assessment of the internal audit unit issued in 2017, which confirmed compliance of the Internal Audit Department with supervisory requirements, i.e. the PFSA's Recommendation H, the previous Regulation of the Minister of Economic Development and Finance of March 6th 2017 on the risk management system and internal control system, remuneration policy and detailed method of estimating internal capital at banks, as well as the International Standards for the Professional Practice of Internal Auditing (IIA). In accordance with Recommendation H, the activities of an internal audit unit should be subject to independent external assessment at least every five years. Another assessment of the Internal Audit Department will be carried out in the current year;
- the external assessment carried out in 2017 also confirmed the compliance of Dom Maklerski BOŚ S.A.'s internal audit function with the Regulation of the Minister of Economic Development and Finance of March 6th 2017;
- results of the annual monitoring of the internal audit unit's activities, including:

- self-assessment of the Internal Audit Department – self-assessment of the audit unit is carried out every year and is a vital element of the Programme to ensure and raise the quality of the internal audit function's work. The results of the 2021 self-assessment demonstrated full alignment of the Internal Audit Department with International Standards IIA and Recommendation H,
- Programme to ensure and raise the quality of the Internal Audit Department's work – the Programme for 2019–2021 included eight tasks to be undertaken by the Department in 2019–2021 and one task – to have an external assessment performed – to be completed by 2022. Eight tasks had been completed by December 31st 2021, while the external assessment was planned to be performed in 2022. Another Programme to ensure and raise the quality of the Internal Audit Department's work was developed for 2022–2024. The Programme received a positive opinion from the Internal Audit Committee and was adopted by the Bank's Supervisory Board,
- Internal Audit Department's strategic plan – following an update of the Framework Development Strategy for BOŚ S.A., the Supervisory Board developed and approved the Internal Audit Department's Strategy for 2021–2023. The Internal Audit Department's Strategy, consistent with the Bank's Strategy, contains 23 actions planned to be implemented over a three-year period. Some of the actions provided for in the Internal Audit Department's Strategy are carried out every year, on a continuous basis,
- agreements between the Bank and BOŚ Group entities governing cooperation of the Internal Audit Department with an internal auditor or person performing the control function at a subsidiary. The scope of such cooperation includes exchange of knowledge, experience and information on audit procedures and methodologies. The Internal Audit Department respects the autonomy and independence of BOŚ Group subsidiaries and does not interfere with their audit plans and programmes. An internal auditor or person performing the control function at a subsidiary may, for purposes related to their tasks, request the Director of the Internal Audit Department to provide expert, methodological or HR support, which will be granted unless it compromises the Department's independence and objectivity in subsequent audits. Under the agreement, the internal auditor of a subsidiary informs the Internal Audit Department of:
 - a draft plan of internal audits for the next year (or control plans), while the Department may submit additional, non-binding proposals for audit topics to be included in the plan,
 - an approved annual internal audit plan to reduce the overlapping of the Bank's control activities,
 - reports received after inspections and assessments carried out at the subsidiary by external supervisory and inspection bodies;
- internal auditors employed at the Bank are suitably qualified and adequately remunerated. To improve their professional skills and raise their competencies, employees of the Internal Audit Department attended a number of seminars and training sessions organised by external institutions, including the Polish Financial Supervision Authority (CEDUR –

the Education Centre for Market Participants), the Polish Bank Association, the Association of IIA Poland Internal Auditors and other institutions;

- annual audit planning is based on a comprehensive risk assessment and clearly defines the objectives and scope of the audit work. In line with the adopted internal audit methodology, the annual audit plan for 2021 reflected both the Supervisory Board's and the Management Board's expectations and the PFSA's requirements. The annual audit plan for 2021 covered all relevant matters, enabling an independent and objective assessment of the adequacy and effectiveness of the risk management and internal control systems, including identification of irregularities and inefficiencies of the audited processes as well as risk assessment for individual processes/matters. The post-audit recommendations were monitored and their implementation status was regularly reported to the competent governing bodies – the Bank's Management Board, the Internal Audit Committee and the Supervisory Board. 22 tasks, including two unplanned tasks, were completed in 2021;
- the internal audit function has appropriate powers and organisational structure to enable independent performance of tasks. The internal audit function enables full and free access to all information. Internal audit is an integral and independent part of the Bank's internal control system, positioned in its third line of defence. Organisationally, the Internal Audit Department reports directly to the President of the Management Board and is supervised by the Internal Audit Committee. The scope and methods of audit, sampling, opinions issued, risk assessment as well as assessment of the adequacy and effectiveness of the risk management and internal control systems have been decided independently by the Internal Audit Department. The independence of the Director of the Internal Audit Department is ensured through face-to-face contact with members of the Management Board, the Audit Committee and the Supervisory Board. In addition, the Director of the Department attends all meetings of the Bank's Management Board, the Internal Audit Committee and the Supervisory Board if matters related to the internal control system are to be discussed during such meetings. The Director of the Department may attend, as an observer, the meetings of the Bank's committees;
- internal audit operates as an independent component of internal control positioned within the control system's third line of defence. The scope and methods of audit, opinions issued, including risk assessment as well as assessment of the adequacy and effectiveness of the risk management and internal control systems have been independently and objectively decided by the Internal Audit Department. In 2021, employees of the Department did not perform any activities other than assurance or advisory activities (i.e. did not perform any operational activities other than those required to be performed by the audit unit). Furthermore, in the last 12 months the auditors were not employed in the units where they carried out audits, which attests to the absence of conflicts of interest.

2.3. Assessment of compliance risk management

In the opinion of the Supervisory Board, compliance risk management is performed effectively and efficiently, covering all of the Bank's organisational units and subsidiaries.

The Bank ensures compliance with the applicable laws, internal regulations and market standards by:

- 1) managing the compliance risk,
- 2) the control function,

including ongoing horizontal and vertical reviews, horizontal and vertical testing, identification, measurement, control, monitoring and reporting to the Management Board and the Supervisory Board.

In 2021, management of the compliance risk, understood as the risk of non-compliance with the applicable laws, internal regulations and market standards, was performed by the Compliance Department, which is a separate, independent compliance function, reporting directly to the President of the Bank's Management Board. It is responsible for performing its duties within the internal control system and tasks related to compliance risk management. The compliance function has appropriate powers, including full and free access to all information, as well as an organisational structure supporting independent performance of its tasks. The head of the compliance function regularly attends the Management Board's meetings, which gives him or her an insight into the activities of the Bank's management body and opportunity to present his or her opinions, as well as meetings of the Internal Audit Committee and the Supervisory Board.

The basic rules for ensuring compliance as part of the compliance risk management function and process are defined in the Compliance Policy of Bank Ochrony Środowiska S.A., which was prepared by the Management Board and approved by the Supervisory Board and which was amended in March 2021, as well as in the implementing acts, including:

- 1) Principles of compliance risk management at Bank Ochrony Środowiska S.A.,
- 2) Principles of internal control at Bank Ochrony Środowiska S.A.

Compliance risk management at the Bank aims to:

- 1) identify, assess and control the potential for negative consequences of non-compliance with the laws, internal regulations and market standards, including in particular legal sanctions, financial losses, or loss of reputation that may result from non-compliance with the laws, internal regulations and market standards;
- 2) consolidate the Bank's image as an institution operating in compliance with the law, honest, reliable, environmentally friendly, credible and responsible in business.

As at December 31st 2021, the Bank identified the following key compliance areas:

- 1) implementing and monitoring compliance with the laws and market standards,
- 2) implementing and monitoring compliance with ethical standards,
- 3) accepting/giving benefits or gifts,
- 4) advertising and marketing activities,
- 5) offering products, including in particular implementation of new products,

- 6) handling client complaints,
- 7) preventing and managing conflicts of interest,
- 8) preventing money laundering and terrorist financing (AML),
- 9) trading in financial instruments.

Compliance risk is monitored on a regular basis at the Bank. Reports of breaches of laws and applicable ethical procedures and standards are identified and collected at the Bank via a dedicated application.

Information on compliance risk management at the Bank is provided on a regular and timely basis in the form of quarterly reports and annual reports to the Management Board, the Internal Audit Committee and the Supervisory Board.

In 2021, the Bank focused its efforts on preventing the occurrence of compliance risk, with particular emphasis on anti-money laundering and combating the financing of terrorism (AML/CFT). On July 1st 2021, the compliance function took over from the Bank's Security Department the ownership of the methodology for preventing money laundering and financing of terrorism as well as supervision of the internal control system and relevant training.

In 2021, the Bank's overall compliance risk increased, mainly due to:

- the AML/CFT risk, including with respect to management of the AML/CFT risk, weakness of the monitoring in the amlSPERT application, low quality of KYC (Know Your Customer), manual client risk assessment processes and monitoring of international transactions,
- assessment of compliance risk events identified by the PFSA in 2018 and the General Inspector of Financial Information in 2019, as well as the financial penalties imposed,
- the risk of non-compliance in the processing of clients' personal data resulting from the combining of consents for marketing purposes to cover different channels of communication with clients,
- the Bank's incomplete adaptation to PSD2,
- the risk of non-compliance resulting from failure to fully implement the PFSA's Recommendation R and Recommendation Z at the Bank.

In 2021, the Bank put measures in place to adapt its operations to the new regulations and standards. The compliance function participated in these measures in the following areas:

- 1) Recommendation Z regarding internal governance at banks – analysis of gaps, monitoring of the implementation and reporting to the Management Board,
- 2) Recommendation S regarding best practice in managing mortgage-backed credit exposures – 'Review of the Bank's internal regulations in terms of compliance with the PFSA's new Recommendation S' test,
- 3) Recommendation R regarding classification of credit exposures, estimation and recognition of expected credit losses and management of credit risk – ongoing review of adaptation measures.

The compliance function was involved in activities aimed at developing the Bank's business, acting as an advisor on the compliance risk. The involvement concerned, among other things:

- implementation of financial advisory services,
- RK2 project,
- rollout of the 'Cloud computing' service,
- implementation of integration with ePUAP,
- participation in the work of the mitigators team on the Sales Platform,
- participation in the ESG rating work,
- participation in the process to implement new products and services, including 'My EV' and 'Digital vehicle',
- implementation of BMR clauses,
- creation of an Investment Fund Company by the Bank.

In addition, in 2021 the compliance function reviewed the internal regulations it owned.

As a result of these reviews and in order to respond to the new challenges faced by the Bank, 13 internal regulations of the Bank were amended.

It is also worth noting that a change to the e-learning format was prepared and introduced (three training sessions for employees of the Bank's network, the Operations and Settlement Department and the Security Department, preparation of training with an external adviser on international sanctions for employees of the Operations and Settlement Department, Security Department, Compliance Department and Legal Department).

The Compliance Department and the Legal Department developed a regulatory alert formula for notifying the Bank's organisational units of any regulatory changes applicable to the banking and capital markets and changes in market standards (recommendations and guidelines of the PFSA and European supervisory authorities EBA and ESMA).

As a result of the cooperation, joint legal and regulatory alerts are published for the relevant units of the Bank and, if applicable, translated into the Bank's internal regulations.

2.4. Assessment of the risk management system for Bank Ochrony Środowiska S.A.'s operations

The Bank has in place a risk management system meeting the supervisory requirements specified in particular in the Regulation of the Minister of Economic Development and Finance, Development Funds and Regional Policy on risk management and internal control systems and remuneration policy at banks, dated June 8th 2021. The objectives and rules of the system are defined in the 'Banking Risk Management Strategy at Bank Ochrony Środowiska S.A.' adopted by the Management Board and approved by the Supervisory Board.

The Supervisory Board supervises the risk management system and assesses its adequacy and effectiveness, in particular by:

- approving and monitoring compliance with the acceptable general risk levels set by the Bank's Management Board,
- approving and monitoring implementation of the risk management strategy adopted by the Bank's Management Board,

- supervising the development, adoption and implementation of policies and procedures, including appropriate contingency plans, on the basis of which a risk management system is to operate at the Bank,
- defining the rules of preparation and provision to the Supervisory Board of management information on the types and size of risk in the Bank's operations,
- carrying out annual assessments of the adequacy and effectiveness of the risk management system.

In 2021, the Supervisory Board, with the active involvement of the Risk Committee, supervised the operation and effectiveness of the risk management system and assessed its adequacy, in particular through the use of:

- internal tools, including:
 - reports and information specified in the management information system,
 - the principle concerning acceptance of the risk appetite and tolerance and key systemic solutions covered by individual risk management policies, resulting from supervisory recommendations,
- external tools, including:
 - results of the Supervisory Review and Evaluation (BION),
 - results of inspections at the Bank and follow-up recommendations issued by external bodies, in particular the Office of the PFSA,
 - external auditor's reports and opinions on the audit of the financial statements of the Bank and the BOŚ Group,
 - rating assigned by Fitch Ratings Ltd.

Having performed its supervisory tasks and taking into account the positive recommendation of the Risk Committee, the Supervisory Board rated the effectiveness and adequacy of the risk management system at BOŚ S.A. in 2021 at 3: 'Adequate and effective with reservations' (on a scale of 1 to 4, where 1 is the best score). The score was the same as in 2020.

The rating was mainly an effect of:

- findings of the thematic inspection carried out by the Office of the PFSA at the Bank from May 19th 2020 to August 12th 2020, covering: (1) assessment of the asset quality and credit risk management as at March 31st 2020 and (2) review of compliance with the recommendations issued after a comprehensive inspection carried out at the Bank as at June 30th 2017. All recommendations issued by the Office of the PFSA were implemented;
- findings of the thematic inspection carried out at the Bank by the Office of the PFSA to determine the correctness of the calculated capital ratios, with a particular focus on the calculation of risk-weighted assets (RWA) in the period from August 30th 2021 to September 29th 2021. The recommendations are implemented in accordance with the agreed timetable and the process is monitored by the Bank's Management Board, supervised by the Supervisory Board and reviewed by the internal audit function;

- findings of the BION evaluation carried out by the PFSA as at December 31st 2020, taking into account significant events after the evaluation date;
- the Bank's rating and rating outlook from Fitch Ratings Ltd in March and October 2021. During a review carried out in October 2021, the agency confirmed the Bank's rating and upgraded its outlook from negative to stable, indicating, among other things, that the Bank was able to absorb significant additional provisions for foreign-currency mortgages without any material effect on equity;
- ESG (Environmental, Social, Governance) rating assigned in December 2021. The ESG score (19.9) places Bank Ochrony Środowiska in the 18th percentile in the Banking industry and 23rd percentile in the Global Universe as at December 2021 (the lower the ESG risk rating, the lower the probability that the company would experience a negative financial impact of environmental, social responsibility and corporate governance issues);
- improvement of the quality of the loan portfolio (lower share of receivables classified in NPL basket 3) and improvement of the cost of risk.

Other risk management elements covered by the assessment of the risk management system in 2021 were:

- calculation of a new minimum requirement for own funds and eligible liabilities (MREL). MREL is expressed as: (1) a percentage of total risk-weighted assets and (2) a percentage of total exposure measure. The Bank will be required to meet the MREL target set for it from January 1st 2024, and until that date it is required to comply with interim MREL targets;
- calculation of an additional (higher) capital requirement to cover the risk of mortgage-backed foreign currency loans;
- recognition of a provision for legal risks related to foreign currency loans (in March 2021, the Bank estimated the costs of converting mortgage-backed loans denominated in or indexed to a foreign currency, on the terms proposed by the Chairman of the PFSA. The total cost of the compromise and settlement programme was estimated at approximately PLN 400m and included additional costs to cover legal risks, including potential lawsuits by clients that do not accept the Bank's proposal). As at April 26th 2021, the total provision for legal risk related to mortgage loans denominated in a foreign currency amounted to PLN 399m. After taking into account the reduction of own funds, both the Bank and its Group met the capital ratios recommended by the PFSA;
- Contingency plans:
 - as regards credit risk, the plan was designed to mitigate the negative economic impact of the COVID-19 pandemic on the quality of the loan portfolio. The Bank implemented specific rules on client financing and monitoring, adapting them to the existing market and epidemic situation. In 2021, there was no need to launch the credit risk contingency plan;
 - as regards liquidity risk, in order to monitor the sources of liquidity emergencies, the Bank monitored symptoms ahead of their occurrence. In addition to observing such symptoms, the Bank, as a supplementary measure, controlled the sources of emergencies and used a set of internal limits and/or liquidity warning thresholds which,

if exceeded, would require the Bank to apply 'non-standard' liquidity management solutions. In 2021, the liquidity contingency plan was updated so as to: (1) adapt the liquidity contingency plan to the updated Group Recovery Plan, (2) identify potential liquidity emergencies beyond the Bank's direct control (natural disasters, pandemic); (3) list the names of members of the Liquidity Crisis Team (financial supervision requirement). In 2021, there was no need to launch the liquidity risk contingency plan;

- as regards capital adequacy, the capital contingency plan is launched when: (1) the warning thresholds for capital adequacy or internal capital are exceeded, (2) the external limits are exceeded in a given reporting month in the case of stress tests involving a depreciation of the zloty against the most important currencies by 10% with respect to the total capital ratio or Tier 1 capital ratio, (3) the limits forecast for the next six months indicate that external limits will be exceeded. If supervisory capital measures, which take into account the required capital buffers, are exceeded, the Bank prepares and activates a capital protection plan. In 2021, there were no grounds for launching the capital contingency plan or capital protection plan;
- The Group Recovery Plan of the Bank Ochrony Środowiska Group – on December 17th 2021 the Office of the Polish Financial Supervision Authority approved the Group Recovery Plan of the BOŚ Group; on December 31st 2021, the Bank decided to launch the Group Recovery Plan. The implemented Group Recovery Plan replaced the previous Recovery Programme covering the period 2018–2021. The remedial measures taken under the Group Recovery Plan are designed to achieve sustainable profitability of the Bank.
- Operational risk – in 2021 operational risk at the Bank was significant due to operational risk events related to: (1) recognition of provisions for litigation relating to client actions brought against the Bank in respect of mortgage loans linked to a foreign currency, (2) extortion of loan products based on falsified documents of applicants and processed via the Sales Platform. In 2021, no operational risk tolerance and appetite limits were exceeded. No significant COVID-19-induced operational risks were identified. In 2021, the Bank took additional steps to raise all employees' awareness of operational risk. To this end, an information campaign was launched to highlight key issues related to operational risk at the Bank, addressed to all Bank employees; in accordance with Recommendation Z, the Principles of Risk Culture for the Bank were developed, and an operational risk webinar was held for Bank employees. On January 31st 2022, BOŚ S.A. commenced a programme to enter into settlements with clients with respect to the portfolio of mortgage loans in foreign currencies, addressed to retail clients who continued to repay their loans indexed to or denominated in a foreign currency taken out to finance the purchase of residential property for their own use.

In addition, with regard to assessment of the Bank's risk management system, the Supervisory Board took into account the key principles adopted by the Bank in its banking risk management process, including in particular the fact that:

- the Bank’s risk management system consisted of an extensive set of internal regulations, consistent with the external regulatory regime, adopted by the Management Board and approved by the Supervisory Board, in accordance with the Bank’s Articles of Association. The Bank’s key document describing the risk management system is the Banking Risk Management Strategy at Bank Ochrony Środowiska S.A. The document seeks, in particular, to define the appetite for material risks taken by the Bank and the risk tolerance with respect to capital adequacy. Detailed methods of managing particular types of banking risk are described in dedicated regulations. In 2021, as in previous years, the regulations were reviewed on a regular basis and adjusted to the risk profile and risk appetite, as well as to changes in the regulatory and economic environment in which the Bank operated. In October 2021, the Climate Policy of Bank Ochrony Środowiska S.A., focusing, among other things, on the management of climate change risk (climate risk), and the ESG Strategy of Bank Ochrony Środowiska S.A. were approved. The ESG Strategy lists internal and external activities within three areas – environmental and climate, social and governance, setting fully measurable objectives for each area;
- to ensure that the objectives of the risk management system are met, the roles, responsibilities and powers of the governing bodies and individual organisational units involved in the risk management process and interactions between the entities involved in the process were defined (the Bank operated a three-line model of defence against risks and the roles of the Bank’s individual units on each line of defence were defined). In particular, the Bank defined the responsibilities of its individual governing bodies, i.e. the Supervisory Board, the Risk Committee, the Management Board and Member of the Management Board in charge of the organisational units of the Head Office responsible for identification and measurement of material risks, as well as relevant committees of the Bank’s Head Office, including in particular: the Asset and Liability Management Committee (ALCO) (and the Liquidity and Market Risk Committee, assisting the ALCO), the Operational Risk Committee, the Credit Risk Management Committee and the Head Office Credit Committee;
- the risk management process at the Bank was supported by a set of quantitative internal risk limits. The set includes internal limits appropriate to the scale and complexity of the Bank’s operations, limiting the level of risk. The internal limits are reviewed annually and adjusted to the risk appetite/tolerance accepted by the Bank’s Supervisory Board;
- the Bank had a formalised model risk management process. In 2021, the Model Validation Office performed four periodic validations of models relevant to credit risk. These were three impairment measurement models and one rating model. As at the end of 2021, the aggregate risk level of all material models at the Bank was determined as moderate and within the model risk tolerance set by the Bank’s Management Board, in accordance with the Model Risk Management Policy at BOŚ S.A.;
- the Bank, as the parent, oversaw the risk management system at the BOŚ Group. In order to develop a uniform Group-wide risk management system, the Bank seeks to put in place at its subsidiaries risk management mechanisms modelled on solutions applied by the Bank.

Report on the assessment of the implementation of the Remuneration Policy in 2021, together with a draft assessment for the highest decision-making body responsible for determining whether the Policy supports the Bank's development and security of operations

In accordance with the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority by way of Resolution No. 218/2014 of July 22nd 2014, the Supervisory Board of Bank Ochrony Środowiska S.A. assessed the implementation of the Bank's Remuneration Policy in 2021.

The following facts were considered by the Supervisory Board when making the assessment:

1. The Bank has a Remuneration Policy in place which defines the form, structure and method of determining the remuneration of members of its governing bodies and key managers;
2. The Bank's has rules governing the adopted Remuneration Policy, designed to:
 - ensure adequate remuneration of employees for their work, while motivating them to strive towards robust performance and achieve the Bank's strategic objectives,
 - attract and retain qualified staff whose experience, knowledge and skills create the Bank's competitive advantage,
 - ensure that the remuneration system does not encourage excessive risk-taking behaviours beyond the risk appetite approved by the Bank's Supervisory Board or inappropriate sale practices, and specifically that the remuneration system has regard to client rights and interests by limiting possible conflicts of interest,
 - ensure equal pay for the same work or work of the same value, and neutrality in terms of gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political beliefs, trade union membership, sexual orientation, sexual identity, family status, lifestyle and other circumstances that may be a source of discriminatory behaviour.
3. The remuneration of members of the Supervisory Board and members of the Management Board of the Bank is set at levels appropriate for their functions and scale of the Bank's operations.
4. The level of variable remuneration of members of the Management Board of the Bank and the Bank's key managers, provided for in the incentive schemes, is conditional on the Bank's long-term financial condition and long-term growth in the Bank's value for shareholders.

5. In order to align the remuneration of members of the Management Board and key managers with the Bank's long-term business and financial objectives, the Bank implements the provisions of the Regulation of the Minister of Finance, Development Funds and Regional Policy of June 8th 2021 on risk management and internal control systems and remuneration policy at banks, e.g. through:
- payment of a portion of variable remuneration in Bank shares;
 - deferred payment of a portion of variable remuneration in five equal annual tranches, depending on the Bank's financial performance over the last three years.

Variable remuneration, including the deferred portion, is:

- reduced or withheld e.g. in the circumstances referred to in Art. 142.1 of the Banking Law of August 29th 1997;
 - reduced or cancelled by the Bank in particular if:
 - the Bank's performance deviates negatively and significantly from the approved financial plan for the year;
 - significant failure or error on the part of a person holding managerial position has been demonstrated;
 - inappropriate conduct or material errors on the part of a person holding managerial position have been demonstrated;
 - a person holding managerial position has been involved in or responsible for actions which resulted in significant losses to the Bank;
 - a person holding managerial position has failed to meet appropriate standards ensuring safe and prudent management of the Bank;
 - a breach or omission of duties by a person holding managerial position and/or their subordinate function/organisational unit has been demonstrated, consisting in non-compliance with the internal regulations/instructions on the risk / performance / internal control system management (including regulations /instructions on the prevention of money laundering and terrorist financing, and/or on cyber security);
 - curtailed if the Bank benefits from extraordinary government intervention.
6. The Bank has a Remuneration and Nomination Committee in place, appointed from among members of the Supervisory Board.
7. The remuneration of members of the Supervisory Board is not conditional on any options or other derivatives, or on any other variable remuneration components.
8. In 2021, the remuneration of members of the Supervisory Board and of the Management Board was compliant with the requirements of the Act on the Rules of Remunerating Persons Who Direct Certain Companies of June 9th 2016, and was adequate given the Bank's financial condition. In this way the requirement set forth in Section 28.2 of the *'Principles of Corporate Governance for Supervised Institutions'* that the remuneration policy should take account of the financial condition of the institution concerned was duly met. Consequently:

- a. the total remuneration of the Chair of the Supervisory Board of the Bank is below the remuneration of the chairpersons of the supervisory boards of other banks in the Bank's peer group*);
- b. the remuneration paid to members of the Supervisory Board of the Bank in 2020 is below the remuneration paid in 2020 to members of the supervisory boards of other banks in the Bank's peer group;
- c. the remuneration paid to persons acting as President of the Management Board of the Bank in 2020 is the lowest relative to the remuneration paid to other presidents of the management boards of other banks in the Bank's peer group in 2020;
- d. the remuneration paid to members of the Management Board of the Bank in 2020 is the lowest relative to the remuneration paid to members of the management boards of other banks in the Bank's peer group in 2020.

In the absence of relevant data, the analysis covers remuneration paid in 2020 to persons holding positions on the management and supervisory bodies of other banks in the Bank's peer group.

9. The base salary paid to the Bank's senior management staff in 2021 represents roughly 48% of the median base salary paid to senior management staff in the banking sector in 2021; while the total remuneration represents roughly 43%. A 12% decrease year on year is recorded in the competitiveness of the base salaries paid at the Bank.
10. The Bank presents key information on the manner of remunerating members of its Supervisory Board and Management Board as well as other key managers in the full-year Financial Statements, the Directors' Report and the Report on the Remuneration of Members of the Supervisory Board and Management Board.
11. The Bank regularly updates members of its Supervisory Board and the Management Board on the current status of the remuneration policy with respect to the key managers and function holders, thus allowing them to assess the remuneration policy in terms of the delivery of its goals, in particular long-term growth in the shareholder value and stability of the Bank's operations.
12. In 2021, following the requirement to implement recommendation 15 of the PFSA's Recommendation Z regarding internal governance at banks, which obliged banks to develop and implement transparent and clear principles of remuneration, drawn up in writing and approved by the Supervisory Board, the Bank set, among other things, the ratio of the average total annual gross remuneration of members of the Management Board to the average total annual gross remuneration of other employees at a maximum level of 1:16. In view of the above, in fulfilment of the disclosure obligation under recommendation 30.1. of the PFSA's Recommendation Z and the Remuneration Policy, the ratio of the average total gross remuneration of members of the Management Board in 2021 to the average total gross remuneration of other employees of the Bank in 2021 was 6.21 and thus did not exceed the regulatory limit.

13. The average total monthly remuneration paid in 2021 to the Bank's employees (excluding members of the Management Board and the Supervisory Board) represents 87% of the average gross monthly remuneration paid in the insurance and financial sector in the first nine months of 2021, as announced by the Statistics Poland.

The total remuneration offered to the Bank's employees in the sales network equals 69% of the average gross monthly remuneration in the insurance and financial sector in the first nine months of 2021, as announced by the Statistics Poland.

The above data is believed to be adequate given the Bank's weaker performance (compared with other sector players) and the fact that the Bank continues to be covered by the Group Recovery Plan. As its financial results improve, the Bank will seek to raise the remuneration to reach the average sector levels, e.g. through development of variable remuneration schemes, in order to maintain the ability to attract and retain qualified staff necessary to pursue the Bank's Strategy and objectives.

14. From 2020, in line with the position of the Polish Financial Supervision Authority regarding a prudent approach to payment of variable components of remuneration, the Bank's Remuneration Policy provides for such 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.
15. The remuneration of employees of the internal audit, compliance, legal, risk management and HR functions is target-based. The variable components of their remuneration cannot be conditional on the economic performance of the Bank's operations under their respective control.
16. In order to ensure adequate alignment of the base salaries with the qualifications, experience, skills as well as independence and impartiality in performing tasks by employees of the Head Office's organisational unit in charge of audit and compliance, the Bank keeps monitoring the level of base salaries of such employees against base salaries of the other employees at the Bank and elsewhere in the banking sector.
17. In 2021, an annual internal audit was carried out at the Bank to assess the adequacy and effectiveness of the internal control system in setting and paying variable remuneration components. The adequacy and effectiveness of risk management and internal control with regard to the Variable Remuneration Components Policy was assessed as satisfactory. The report on the audit was presented to the Remuneration and Nomination Committee, the Internal Audit Committee and the Supervisory Board.

Draft assessment for the highest decision-making body responsible for determining whether the Policy supports the Bank's development and security of operations

The General Meeting of the Bank, in fulfilment of the provisions of Resolution No. 218/2014 of the Polish Financial Supervision Authority dated July 22nd 2014 setting forth 'The Principles of Corporate Governance for Supervised Institutions' and also:

- taking into account the need to ensure prudent and sound risk, capital and liquidity management and special care to promote the long-term best interest of Bank Ochrony Środowiska S.A. and the interests of its shareholders,
- based on the conclusions of the Supervisory Board's assessment of the implementation of the Bank's Remuneration Policy in 2021 confirming its transparency and compliance with the applicable regulations,

acknowledges that, in its opinion, the Bank's Remuneration Policy supports the Bank's development and security of operations.

Appendix 3
to the Report on the activities
of the Supervisory Board of Bank Ochrony Środowiska S.A. for 2021

Assessment of the validity of expenses incurred by the Bank and its Group to sponsor culture, sports, charities, media, social organisations, trade unions, etc.

In accordance with the 'Best Practice for WSE Listed Companies 2021' (principle 2.11.5), a company and its group should provide a statement of expenses listed above along with their rationale.

In 2021, the aim of the Bank's sponsorship, charitable and similar activities was to support its retail and corporate business by promoting the Bank as an expert in green project financing, a partner in business and a socially committed banking institution, present on the front line of events that are relevant to the Bank's mission, the interests of its owners and values set out in the Framework Development Strategy of Bank Ochrony Środowiska S.A. for 2021–2023, including in particular:

- respect for others and the environment – understood as caring for oneself and for others and protecting the natural environment,
- commitment – understood as proactivity in the execution of tasks and approach to challenges with openness and creativity,
- cooperation – understood as working together to achieve the Bank's common goals.

Pursuing these goals, the Bank engaged as a partner in various initiatives and events spanning environmental protection, the trade, culture and social causes, while BOŚ Leasing – EKO Profit S.A. supported cultural events promoting history and music:

No.	Company	Event	Gross amount
1.	BOŚ Bank	Togetair 2021 Climate Summit – Clean Air Foundation	20,000
2.	BOŚ Bank	Solar Energy Congress – Polish Photovoltaics Association	12,300
3.	BOŚ Bank	40th Anniversary of J. Dietl Hospital in Kraków	5,000
4.	BOŚ Bank	Mural Project – Regional Directorate of State Forests in Łódź	6,000
5.	BOŚ Bank	13th International Finance and Banking Forum Conference – Warsaw University of Life Sciences	5,000
6.	BOŚ Bank	<i>Nowy Świat</i> Polish Economic Society – sponsorship of book publication	6,150
7.	BOŚ Bank	Polish Conference on Hydrogen Energy and Technology (PCHET) 2021 – Regional Pomeranian Chamber of Commerce	40,000
8.	BOŚ Bank	Our Future Forum Conference – Our Future Foundation	15,000
9.	BOŚ Bank	Masterclass with Nasa – Foundation Centre of National Creativity	48,832
10.	BOŚ Leasing	Hussar Fest – Polish Community Association	5,000
11.	BOŚ Leasing	Polish Rock Concert – Polish Community Association	3,000

The Bank and its brokerage arm Dom Maklerski BOŚ also engaged in charitable activities supporting – through donations – mainly such foundations and organisations

whose missions included help for those neediest, weakest and most disadvantaged. DM BOŚ focused on supporting children fighting for life, health, fitness or a better future.

In addition, educational and charitable activities are the domain of the BOŚ Foundation, supported in the pursuit of its statutory mission with donations provided by the Bank and DM BOŚ.

No.	Company	Foundation/organisation supported	Gross amount
1.	BOŚ Bank	Bank Ochrony Środowiska Foundation (3 tranches)	900,000
2.	BOŚ Bank	VIVA International Voice for Animals Foundation	3,663
3.	BOŚ Bank	Cost of <i>Bakcyl</i> 2021 Project – Warsaw Institute of Banking Foundation	10,000
4.	BOŚ Bank	<i>Na Paluchu</i> Animal Shelter	2,115
5.	BOŚ Bank	120th Anniversary of the Animal Protection Society in Poland Foundation	2,185
6.	BOŚ Bank	Surgical masks for the Regional Specialist Hospital in Grudziądz and Provincial Specialist Hospital in Włocławek	63,000
7.	BOŚ Bank	Support for Families Association	2,000
8.	BOŚ Bank	'From the Heart' Association	10,000
9.	BOŚ Bank	Polish Social Welfare Committee	1,500
10.	BOŚ Bank	Urtica Foundation for Children	13,000
11.	BOŚ Bank	East Now Foundation	1,000
11.	DM BOŚ	Bank Ochrony Środowiska Foundation	200,000
13.	DM BOŚ	Caritas Polska	10,000
14.	DM BOŚ	'Tour de Foundation – charity campaign' Foundation	10,000
15.	DM BOŚ	Alivia Foundation	2,000
16.	DM BOŚ	Avalon Foundation – Direct Assistance for the Disabled	12,000
17.	DM BOŚ	'Help on Time' Foundation for Children	30,500
18.	DM BOŚ	'Cor Infantis' Foundation for Children with Heart Conditions	10,000
19.	DM BOŚ	<i>Słoneczko</i> Foundation for People with Disabilities	15,000
20.	DM BOŚ	Food – Gift of the Heart Foundation	10,000
21.	DM BOŚ	Robinson Crusoe Foundation	10,000
22.	DM BOŚ	Sedeka Foundation	5,000
23.	DM BOŚ	<i>Siepomaga</i> Foundation	4,000
24.	DM BOŚ	Warsaw Hospice for Children Foundation	15,000
25.	DM BOŚ	<i>Serca dla Maluszka</i> Foundation	5,000
26.	DM BOŚ	Little Prince Hospice for Children in Lublin	15,000
27.	DM BOŚ	St. Padre Pio Hospice in Puck	15,000

In 2021, the BOŚ Group allocated PLN 166,282 to sponsorship (the Bank: PLN 158,282, BOŚ Leasing: PLN 8,000), PLN 276,963 to charity (the Bank: PLN 108,463, BOŚ Leasing: PLN 168,500) and PLN 1,100,000 to support the mission of the BOŚ Foundation (the Bank: PLN 900,000, BOŚ Leasing: PLN 200,000).

Assessment by the Supervisory Board of Bank Ochrony Środowiska S.A. of:

- 1) compliance by Bank Ochrony Środowiska S.A. with the 'Principles of Corporate Governance for Supervised Institutions', issued by the Polish Financial Supervision Authority on July 22nd 2014
and
- 2) fulfilment by Bank Ochrony Środowiska S.A. of the disclosure requirements regarding compliance with the corporate governance principles as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic information in 2021 to be published by issuers of securities

In fulfilment of the obligations arising under Section 27 of the '*Principles of Corporate Governance for Supervised Institutions*' and detailed principle 2.11.4 of the '*Best Practice for WSE Listed Companies 2021*', as well as Section 4.4 of the Rules of Procedure for the Supervisory Board, a review has been carried out to assess compliance by Bank Ochrony Środowiska S.A. (the "Bank") in 2021 with the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority on July 22nd 2014 and with the applicable corporate governance principles, and to assess how the Bank fulfils the disclosure requirements regarding compliance with the corporate governance principles as defined in the Rules of the Warsaw Stock Exchange (the "WSE") and regulations on current and periodic information to be published by issuers of securities. The results of the assessment are as follows.

1. Compliance by Bank Ochrony Środowiska S.A. with the 'Principles of Corporate Governance for Supervised Institutions', issued by the Polish Financial Supervision Authority on July 22nd 2014

As of January 1st 2015, the Bank has followed and complied with the 'Principles of Corporate Governance for Supervised Institutions' (the "Corporate Governance Principles"), issued by the Polish Financial Supervision Authority by way of Resolution No. 218/2014 of July 22nd 2014.

The Corporate Governance Principles were adopted for application by each of the Bank's governing bodies, namely by:

- the Management Board of BOŚ S.A. – by Resolution No. 108/2018 of May 8th 2018 on the adoption 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 No. 31/2018 of May 16th 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. in Resolution No. 28/2018 of the Annual General Meeting of BOŚ S.A. of June 19th 2018 on adopting the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority for application by BOŚ S.A.

The information on adopting by BOŚ S.A. the 'Principles of Corporate Governance for Supervised Institutions', issued by the Polish Financial Supervision Authority, is provided in the 'Investor Relations' section, 'Corporate Governance' tab, on the Bank's website.

In the first part of 2021, all the Corporate Governance Principles were complied with, with the exception of one principle, contained in Section 8.4, which reads 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."*

With growing availability of this form of participation by shareholders in general meetings among listed companies, in the second half of 2021 the Bank undertook steps with a view to applying this corporate governance principle.

Section 8.4 of the Corporate Governance Principles has been applied since September 30th 2021, i.e. following the adoption by the Supervisory Board of Bank Ochrony Środowiska S.A. of the 'Rules of participation in the General Meeting by means of electronic communication'. During the Extraordinary General Meeting convened for December 8th 2021, the Bank enabled the shareholders to participate, speak and exercise their voting rights by means of electronic communication.

The Bank ensures a transparent information policy with respect to the General Meetings by recording their proceedings and publishing the audio recordings and, starting from June 23rd 2021, also video recordings, in the 'Investor Relations' section, 'General Meetings' tab, on the Bank's website.

To date, the Bank has not received any notice from its shareholders regarding non-application of the Corporate Governance Principles, except for a statement made by the Majority Shareholder (National Fund for Environmental Protection and Water Management, "NFOŚiGW") during the Annual General Meeting, in connection with the adoption of Resolution No. 35/2015 of the Annual General Meeting of June 10th 2015. The statement read as follows: "the conditions for providing support, both in the form of liquidity injections and recapitalisation, are, in the case of NFOŚiGW, set out in the generally applicable legal regulations, in particular the Environmental Protection Law Act and the Public Finance Act. The actions provided for in the Corporate Governance Principles are conditional upon these regulations."

In order to ensure compliance with and proper application of the Corporate Governance Principles at the Bank, organisational units responsible for their implementation and application have been designated.

The text of the 'Principles of Corporate Governance for Supervised Institutions' is available on the Bank's website at: www.bosbank.pl in the 'Investor Relations' section, 'Corporate Governance' tab.

2. Assessment of fulfilment by Bank Ochrony Środowiska S.A. of the disclosure requirements regarding compliance with the corporate governance principles as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic information to be published by issuers of securities

2.1 Application of the 'Best Practice for WSE Listed Companies 2021' with regard to the disclosure requirements under the WSE Rules

In the first half of 2021, companies listed on the WSE were subject to the corporate governance principles set out in the 'Best Practice for WSE Listed Companies 2016'. As of the beginning of July 2021, these were replaced with the reviewed corporate governance principles set out in the Best Practice of 2021.

The 'Best Practice for WSE Listed Companies 2021' (the "Code of Best Practice"), issued on the basis of Resolution No. 13/1834/2021 of the WSE Supervisory Board of March 29th 2021, has been followed and complied with at Bank Ochrony Środowiska S.A. since July 1st 2021, and have been adopted for application by each of the Bank's governing bodies, namely by: the Management Board, the Supervisory Board and the General Meeting of BOŚ S.A. – by Resolution No. 37/2021 of the Annual General Meeting of June 23rd 2021 on the scope of application of the corporate governance principles included in the 'Best Practice for WSE Listed Companies 2021'.

The Warsaw Stock Exchange Rules (the "WSE Rules") specify the disclosure requirements concerning compliance with the corporate governance principles. Section 29.3 of the WSE Rules provides that where a specific corporate governance principle is not applied on a permanent basis or is breached incidentally, the issuer is required to publish a report on that matter on its official website and in the same manner as that used for the submission of current reports, via the Electronic Information Base ("EBI"), in accordance with the principles set out in Resolution No. 691/2021 of the WSE Management Board of July 1st 2021.

The Code of Best Practice was adopted for application by the Management Board, the Supervisory Board and the General Meeting, save for the principles of which the Bank's Management Board informed the public by releasing a current report on July 21st 2021 via the EBI system and by posting it on its website. With regard to the principles applied by shareholders, the Code of Best Practice adopted for application by the General Meeting of BOŚ S.A. was additionally published in Current Report No. 21/2021 of June 23rd 2021.

The Bank does not apply on a permanent basis the following corporate governance principles included in the 'Best Practice for WSE Listed Companies 2021' effective as of July 1st 2021:

- 1) Principle 1.4.1. The information on the ESG elements of the strategy should, among other things, explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;
- 2) Principle 1.4.2. The information on the ESG elements of the strategy should, among other things, present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target

- 3) Principle 2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy specifies diversity goals and criteria, such as gender, education, expertise, age or professional experience, sets the deadlines and defines the monitoring procedures. With regard to gender diversity of governing bodies, the diversity requirement is met when participation of the minority group in each body is at least 30%.
- 4) Principle 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.
- 5) Principle 2.11.1. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. The report should contain at least the information about the members of the supervisory board and its committees, including indication of those supervisory board members who fulfil the criteria of being independent referred to in the Act of May 11th 2017 on Auditors, Audit Firms and Public Supervision and those supervisory board members who have no actual and material relations with any shareholder who holds at least 5% of the total vote in the company, and information about the members of the supervisory board in the context of diversity;
- 6) Principle 2.11.6. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. The report referred to above shall include at least the information regarding the degree of implementation of the diversity policy for the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.
- 7) Principle 4.8. Draft resolutions on matters placed on the agenda of a general meeting should be submitted by the shareholders no later than three days before the general meeting.
- 8) Principle 4.9.1. If a general meeting is to appoint a new member or members to the supervisory board, or to appoint the supervisory board for a new term of office: candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website.

The Bank has published the explanation regarding non-application of principles 1.4.1., 1.4.2., 2.1., 2.2., 2.11.1., 2.11.6., 4.8., 4.9.1, as well as information on the scope of application of the principles by BOŚ S.A. in accordance with principle 1.1., on the Bank's website www.bosbank.pl in the 'Investor Relations' section, 'Corporate Governance' tab.

In the same place, there is also information on non-application of selected (I. Z.1.15, IV. Z.2) principles of corporate governance, which were previously applicable, included in the 'Best Practice for WSE Listed Companies 2016'.

The Bank updated information on the application of the principles set out in the 'Best Practice for WSE Listed Companies 2021' during the year.

In order to ensure compliance with and proper application of the Code of Best Practice at the Bank, organisational units responsible for their implementation and application have been designated.

The assessment of the Bank's application in 2021 of the corporate governance principles contained in the Code of Best Practice confirms that the Bank has properly complied with this obligation.

2.2 Application by the Bank of the 'Best Practice for WSE Listed Companies 2021' with respect to the disclosure requirements specified in regulations on current and periodic information to be published by issuers of securities

Pursuant to Par. 70.6.5 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 (the "Regulation"), the directors' report on the issuer's operations should include a corporate governance statement as a separate part of the report. The Regulation also specifies what information should be included in the corporate governance statement.

In fulfilling this obligation in 2022, the Bank included its Corporate Governance Statement, containing all the elements specified in Par. 70.6.5 of the Regulation, in the Directors' Report on the operations of the Bank Ochrony Środowiska Group in 2021, containing the Directors' Report on the operations of Bank Ochrony Środowiska S.A. in 2021.

In preparing its Corporate Governance Statement, the Bank also implemented the European Commission Recommendation 2014/208/EU of April 9th 2014 on the quality of corporate governance reporting ("comply or explain").

In addition, in accordance with detailed principle 1.1 of the Code of Best Practice, the Bank's Corporate Governance Statement for 2021 was posted on the Bank's website.

Summary

The requirement for the Supervisory Board to assess the Bank's compliance with the corporate governance principles and fulfilment of the disclosure requirements regarding compliance with the corporate governance principles arises directly under principle 2.11.4 of the 'Best Practice for WSE Listed Companies 2021'.

Throughout 2021, the Supervisory Board reviewed, on an ongoing basis, the current reports and other information published by the Bank, in particular where they pertained to compliance with the corporate governance principles.

Decisions taken by the Supervisory Board in 2021 with respect to the corporate governance area, including adoption of the 'Rules of participation in the General Meeting by means of electronic communication', adoption of the ESG Strategy, and adoption of the 'Diversity policy for members of the Bank's Management Board', had a positive effect by increasing the scope of application by the Bank of the corporate governance principles. As a result, the Bank updated information

on the application of the principles set out in the 'Best Practice for WSE Listed Companies 2021' during the year.

The assessment did not reveal any non-compliance with the Corporate Governance Principles as adopted for application by Bank Ochrony Środowiska S.A. in 2021. Based on the results of the above assessment of compliance by the Bank with the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority on July 22nd 2014, compliance with the applicable corporate governance principles and fulfilment by Bank Ochrony Środowiska S.A. of the disclosure requirements regarding compliance with the corporate governance principles as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic information to be published by issuers of securities, the Supervisory Board favourably assesses the Bank's activities in this respect as adequate and consistent with the requirements of these regulations.

Information on the degree of implementation of the diversity policy with respect to the Management Board and the Supervisory Board of the Bank

The basis for presenting this Information on the degree of implementation of the diversity policy with respect to the Management Board and the Supervisory Board of Bank Ochrony Środowiska S.A. in 2021 is principle 2.11.6 of the 'Best Practice for WSE Listed Companies 2021' constituting an appendix to Resolution No. 13/1834/2021 of the Supervisory Board of the Warsaw Stock Exchange dated March 29th 2021 on the adoption of the 'Best Practice for WSE Listed Companies 2021'.

In the fourth quarter of 2021 the Bank's Supervisory Board, acting pursuant to Art. 9ce of the Banking Law of August 29th 1997 (Dz. U. of 2021, item 2349, as amended) and in accordance with the 'Best Practice for WSE Listed Companies 2021', passed a resolution to establish the '*Diversity policy for members of the Management Board of Bank Ochrony Środowiska S.A.*' (the "Policy").

The Policy was implemented following a positive recommendation from the Supervisory Board's Remuneration and Nomination Committee (the "Committee"), by Resolution No. 108/2021 of the Supervisory Board of BOŚ S.A. dated November 17th 2021.

A similar document with respect to the Supervisory Board was also positively received and endorsed by the Committee and by the Supervisory Board, whereupon it was submitted for adoption to the Annual General Meeting.

In its human resources policy Bank Ochrony Środowiska S.A. takes into consideration the essential elements of the diversity policy, assuming that values stemming from variety represent an additional asset for the organisation.

The Bank is guided by the principle of zero tolerance to any form of discrimination in employment, whether direct or indirect, especially on the grounds of gender, age, disability, race, religion, nationality, political opinions, union membership, ethnic origin, religion, sexual orientation, as well as the form of employment, viewing workforce diversity as an asset that creates capital and constitutes a potential source of competitive advantage for the Bank. BOŚ S.A. seeks to create a friendly working environment and organisational culture based on mutual respect and to prevent any discrimination or bullying.

The Policy aims to:

- Promote diversity in appointing members of the Bank's Management Board,
- Support the pursuit of the Bank's strategic objectives by ensuring diversity among the members of the Management Board,
- Ensure that members of the Bank's Management Board represent a broad spectrum of characteristics and competencies, such as diverse skills, educational backgrounds, professional experience, knowledge, gender, and age.

When deciding on the appointment of members of the Management Board, the Supervisory Board seeks to ensure a diverse composition of the Management Board by appointing persons ensuring such diversity, e.g. to achieve a target minimum representation of 30% with respect to the gender balance, provided that the need to ensure diversity, including gender balance, in the composition of the Management Board may not compromise proper management of the Bank.

In pursuing this objective due regard is given to the provisions of the applicable 'Policy on the assessment of the suitability of candidates for member/members of the Bank's Management Board' and the Resolution of the General Meeting of Bank Ochrony Środowiska S.A. on the appointment and removal of members of the Management Board.

In 2021, the composition of the management and supervisory bodies was diverse in terms of age, educational backgrounds, work experience and gender.

Biographical notes of the members of the Bank's Management Board and Supervisory Board are posted on the website.

Gender matrix:

	number of members	number of women	proportion of women
Supervisory Board	10	1	10%
Management Board	5	1	20%

Age matrix:

	number of members	age	
		up to 50 years	over 50 years
Supervisory Board	10	3	7
Management Board	5	3	2

Education matrix:

	educational background						
	environment protection	law	banking and finance	international relations	science	management	economics
Supervisory Board	2	3	1	1	1	1	1
Management Board	-	-	3	-	2	-	-

In terms of diversity, the Bank will strive to ensure a higher proportion of female members in its governing bodies, including the Supervisory Board and the Management Board, aiming to achieve a target minimum representation of 30% with respect to the underrepresented gender.

Information
on the adoption of the Rules of Procedure for the Supervisory Board of Bank
Ochrony Środowiska S.A.
and assessment of its adequacy

As required by Recommendation Z of the Polish Financial Supervision Authority regarding internal governance at banks, the Supervisory Board of Bank Ochrony Środowiska S.A. hereby informs the Annual General Meeting of the adoption of the Rules of Procedure for the Supervisory Board and assessment of its adequacy.

As prescribed by recommendation 9 contained in the aforementioned Recommendation Z: *“in view of the responsibility of the general meeting for supervising the performance of the supervisory board’s tasks, if the rules of procedure for the supervisory board are not adopted by the general meeting but by the supervisory board itself, then – depending on the relevant arrangements in place at the bank – the general meeting will be informed of the adopted rules or such rules will require its prior approval.”*

In accordance with the provisions of Art. 19.8 of the Bank’s Articles of Association, the adoption of the Rules of Procedure for the Supervisory Board falls within the competence of the Supervisory Board.

The current Rules of Procedure for the Supervisory Board were adopted by Resolution No. 112/2021 of the Supervisory Board dated December 15th 2021, which repealed the previously effective Rules of Procedure adopted by Resolution No. 67/2021 of the Supervisory Board dated July 13th 2021.

The main purpose of the most recent amendment to the Rules of Procedure for the Supervisory Board was to bring them into conformity with Recommendation Z issued by the Polish Financial Supervision Authority.

Following a review and assessment of the Rules of Procedure carried out in accordance with recommendation 8.9 of Recommendation Z, the Supervisory Board is satisfied that the Rules of Procedure for the Supervisory Board are adequate, compliant with the applicable laws and relevant recommendations of the Polish Financial Supervision Authority and consistent with other internal regulations of the Bank.

To justify this assessment, the Supervisory Board notes that:

1. In 2021, the Rules of Procedure for the Supervisory Board were amended three times – in March, July and December. The amendments resulted from a review of the Rules of Procedure in terms of their adequacy and compliance with the applicable laws, recommendations and internal regulations of the Bank.

2. The amendments to the Rules of Procedure made in March 2021 were primarily intended to:
 - 1) reorganise for improved clarity and supplement the provisions relating to the competence of the Supervisory Board, by extending its scope to additionally cover matters provided for in the Act on State Property Management of December 16th 2016 (previously, such matters were dealt with by resolutions of the General Meeting, issued on the basis of the Act);
 - 2) reorganise for improved clarity and amend the provisions relating to the obligations of members of the Supervisory Board in relation to the *'Policy for the assessment of the suitability of candidates for members of the Supervisory Board, members of the Supervisory Board and the Supervisory Board of Bank Ochrony Środowiska S.A.'*,
 - 3) supplement the provisions for ensuring the presence at Supervisory Board meetings of the Director of the Compliance Department and Director of the Internal Audit Department (*pursuant to the applicable regulations and recommendations of the PFSA*);
 - 4) reflect the amendments to Art. 388 of the Commercial Companies Code whereby the Supervisory Board may adopt resolutions by written ballot or by means of remote communication also to deal with matters with respect to which the Bank's Articles of Association prescribe voting in a secret ballot (*provided that no member of the Supervisory Board raises an objection*).

3. The amendments to the Rules of Procedure for the Supervisory Board made in July 2021 resulted from the need to align the document with the 'Best Practice for WSE Listed Companies 2021' (Best Practice 2021), which came into effect on July 1st 2021. The amendments made at that time consisted primarily in:
 - 1) supplementing the provisions which define the competence of the Supervisory Board by extending its scope to include giving consent for members of the Management Board to serve on bodies of entities outside the Group (previously, such matters were governed by the respective management service contracts);
 - 2) supplementing and amending the provisions which define the scope of information to be covered by annual reports of the Supervisory Board (e.g. assessment of the validity of expenses incurred by the Bank and its Group to support culture, sports, charities, media, social organisations, trade unions, etc., instead of the previous assessment of the validity of the Bank's sponsorship policy);
 - 3) amending the provisions which pertain to the function of the Chair of the Internal Audit Committee, by adding and implementing in practice a provision that: *"the function of the Chair of the Internal Audit Committee should not be held by the Chair of the Supervisory Board"* (in accordance with principle 2.9 of the Best Practice 2021, which states that *"the chair of the supervisory board should not combine this function with that of chair of the audit committee of the supervisory board"*).

4. The amendments to the Rules of Procedure for the Supervisory Board made in December 2021 resulted from the need to bring the document into conformity with Recommendation Z of the Polish Financial Supervision Authority. The amendments made at that time included, in particular:

- 1) addition of provisions which require the Supervisory Board to inform the General Meeting of the adoption of the Rules of Procedure and to perform a self-assessment of the adequacy of the Rules and its own performance (which are then subject to assessment by the General Meeting), as well as provisions concerning tasks to be performed by the Chair, Deputy Chair and Secretary of the Supervisory Board;
 - 2) amendment of the '*Competence of the Supervisory Board*' section to ensure its conformity with Recommendation Z by extending its scope to include, among other things, the Supervisory Board's authority to: a) notify the PFSA that an item concerning removal of the President of the Management Board or member of the Management Board in charge of a risk material to the business of the Bank has been placed on the agenda of the Supervisory Board's meeting; b) exercise supervision over the implementation of internal governance at the Bank and to assess, at least once a year, its adequacy and effectiveness, c) monitor whether the Bank's management strategy, risk management strategy as well as the resulting policies and procedures are coherently implemented and whether the strategic objectives are aligned with the Bank's long-term financial interests, including the need to meet prudential requirements with respect to the Bank's own funds and liquidity; d) approve the policy for identifying key functions at the Bank and appointing and removing persons discharging those functions, e) approve a code of ethics which defines norms and ethical standards of conduct of members of the Bank's governing bodies and employees, as well as other persons through whom the Bank conducts its business, f) approve the policy for managing conflicts of interest, g) approve the Bank's remuneration rules/policy and supervise their application; also evaluating, at least once a year, their impact on the Bank's management, h) approve the principles of risk culture for the Bank as a whole, i) approve the 'New Product Approval Policy', j) approve the rules for making changes to the Bank's organisational structure, i.e. setting up new organisational units and altering or removing existing ones, and supervise the Management Board's activities in implementing those rules;
 - 3) addition to the sections concerning the respective committees of the Supervisory Board of provisions defining the duties of the chairs, deputy chairs and members of those committees; addition of a provision to the effect that members of the Supervisory Board appointed to serve on particular committees should perform tasks specified in the rules of procedure for those committees;
 - 4) addition of provisions stating that a member of the Supervisory Board should make judgements based on their own independent opinions, objective criteria and factual considerations, and take decisions consistent with those judgements.
5. Each of the successive amendments to the Rules of Procedure for the Supervisory Board included editorial changes and clarifications informed by daily practice, observations on how the Rules functioned and organisational support of the Supervisory Board, both during and outside its meetings.

In presenting the foregoing information, the Supervisory Board

- is satisfied that the Rules of Procedure for the Supervisory Board are adequate, compliant with the applicable laws and recommendations and consistent with other internal regulations of the Bank;
- requests the General Meeting to receive:
 - o information on the adoption of the Rules of Procedure for the Supervisory Board of Bank Ochrony Środowiska S.A., and
 - o information on the assessment of the adequacy of the Rules of Procedure for the Supervisory Board of Bank Ochrony Środowiska S.A.

The Rules of Procedure for the Supervisory Board are posted on the Bank's website at: <https://www.bosbank.pl/informacje-korporacyjne/relacje-inwestorskie/dokumenty-korporacyjne>.