

**Report  
on the activities of the Supervisory Board  
of Bank Ochrony Środowiska S.A.  
for 2022**

Warsaw, 2023

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- 5) **Appendix 5** – Assessment of the performance by the Management Board of the disclosure obligations referred to in Article 380<sup>1</sup> of the CCC and assessment of the manner in which the

Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested under the procedure set forth in Art. 382.4 of the CCC.

- 6) **Appendix 6** – 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.;

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 2022, including in terms of diversity

As at **January 1st 2022**, the composition of the Supervisory Board was as follows:

- 1) Emil Ślązak, 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 Banaszak
- 5) Robert Czarnecki
- 6) Zbigniew Dynak
- 7) Janina Goss
- 8) Marcin Jastrzębski
- 9) Andrzej Matysiak
- 10) Piotr Wróbel.

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

- On June 30th 2022, the Annual General Meeting appointed the following persons to the Supervisory Board of the 12th term of office: Piotr Bielarczyk, Janina Goss, Iwona Marciniak, Andrzej Matysiak, Piotr Sadownik, Paweł Sałek, Emil Ślązak, Aleksandra Świdorska, Tadeusz Wyrzykowski;
- On November 23rd 2022, Mr Emil Ślązak, who was temporarily seconded by the Supervisory Board to perform the duties of President of the Management Board, tendered his resignation as Chairman of the Supervisory Board;
- At the meeting held on November 23rd 2022, following Mr Emil Ślązak's resignation from the position of Chairman of the Supervisory Board, the Supervisory Board elected Mr Piotr Sadownik as the new Chairman of the Supervisory Board;
- On December 8th 2022, Ms. Janina Goss submitted her resignation from the Supervisory Board, which was effective from December 10th 2022. No specific reasons were provided for her decision to resign.

Following the changes, **as at December 31st 2022** the composition of the Supervisory Board was as follows:

1. Piotr Sadownik, Chairman of the Supervisory Board
2. Iwona Marciniak, Deputy Chairwoman of the Supervisory Board
3. Andrzej Matysiak, Secretary

Members:

4. Piotr Bielarczyk
5. Paweł Sałek
6. Aleksandra Świdorska

7. Emil Ślązak, seconded to temporarily perform the duties of President of the Management Board (no longer than until February 23rd 2023).<sup>1</sup>
8. Tadeusz Wyrzykowski

With regard to the composition of the Supervisory Board and its diversity, the Supervisory Board would like to report the following:

- as defined in the '*Diversity policy with respect to members of the Supervisory Board of Bank Ochrony Środowiska S.A.*', diversity is '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 2022 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.' The share of female members of the Supervisory Board in the first half of 2022 was 10%, while in the second half of 2022 it was 30%.

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. Summary of the Supervisory Board's activities in 2022, including the number of Supervisory Board meetings held in 2022 and the participation of individual Board members in meetings

In the performance of its duties related to ongoing oversight of the Bank's operations, in 2022 the Supervisory Board held 13 meetings on the following dates:

- January 26th,
- February 23rd,
- March 23rd,
- April 27th,
- May 25th,
- June 22nd,
- June 30th,
- July 27th,

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<sup>1</sup>Effective February 8th 2023, the Supervisory Board appointed Mr Emil Ślązak as Vice President of the Management Board. As of the same date, Mr Emil Ślązak submitted his resignation as member of the Supervisory Board.

- September 7th,
- September 28th,
- October 26th,
- November 23rd,
- December 19th.

Some meetings of the Supervisory Board were held in a hybrid manner, using means of remote communication.

In 2022, five votes were held to pass resolutions by the Supervisory Board outside of a formal meeting. The votes were held on the following dates:

- 1) January 18th – January 20th,
- 2) January 28th – February 3rd,
- 3) August 9th – August 10th,
- 4) October 31st – November 3rd,
- 5) November 29th – December 2nd.

The Supervisory Board would like to provide information on the participation of individual Supervisory Board members in meetings and votes held outside the formal meetings (with six meetings and two votes held outside the formal meetings by the end of the 11th Supervisory Board term, which expired on June 30th 2022):

- 1) Emil Ślęzak, until his secondment to the Bank's Management Board on November 23rd 2022, attended all 12 meetings held and participated in all four votes held outside the formal meetings;
- 2) Ireneusz Purgacz, whose term of office expired, attended all six meetings and participated in both votes held outside the formal meetings during his tenure on the Supervisory Board;
- 3) Paweł Sałek attended 12 out of the 13 meetings; he participated in four out of the five votes held outside of the formal meetings;
- 4) Leszek Banaszak, whose term of office expired, attended all six meetings and participated in both votes held outside the formal meetings during his tenure on the Supervisory Board;
- 5) Robert Czarnecki, whose term of office expired, attended all six meetings and participated in both votes held outside the formal meetings during his tenure on the Supervisory Board;
- 6) Zbigniew Dynak, whose term of office expired, attended all six meetings and participated in both votes held outside the formal meetings during his tenure on the Supervisory Board;
- 7) Janina Goss, until her resignation from the Supervisory Board effective December 10th 2022, attended all 12 meetings and participated in all five votes held outside the formal meetings during her tenure on the Supervisory Board;
- 8) Marcin Jastrzębski, whose term of office expired, attended five out of the six meetings and participated in none of the two votes held outside the formal meetings during his tenure on the Supervisory Board;
- 9) Andrzej Matysiak attended 12 out of 13 meetings and participated in all five votes held outside the formal meetings;

- 10) Piotr Wróbel, whose term of office expired, attended all six meetings and participated in both votes held outside the formal meetings during his tenure on the Supervisory Board;
- 11) Piotr Sadownik, after his appointment for the 12th term on June 30th 2022, participated in all seven meetings that were held until the end of the year and participated in all three votes held outside the formal meetings;
- 12) Iwona Marciniak, after her appointment for the 12th term on June 30th 2022, participated in all seven meetings that were held until the end of the year and participated in all three votes held outside the formal meetings;
- 13) Piotr Bielarczyk, after his appointment for the 12th term on June 30th 2022, participated in all seven meetings that were held until the end of the year and participated in all three votes held outside the formal meetings;
- 14) Aleksandra Świdorska, after her appointment for the 12th term on June 30th 2022, participated in all seven meetings that took place until the end of the year and took part participated in two out of the three votes held outside the formal meetings;
- 15) Tadeusz Wyrzykowski, after his appointment for the 12th term on June 30th 2022, participated in all seven meetings that were held until the end of the year and participated in all three votes held outside the formal meetings.

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

In fulfilling its statutory obligations, the Supervisory Board diligently exercised continuous supervision over the Bank. This included ongoing monitoring of:

- Progress in the implementation of the Group Recovery Plan ("GRP") and the Bank's current financial situation, including the implementation of the Bank's Development Strategy;
- Situation of the Bank's clients with organisational or commercial ties to the conflict zone (Ukraine, Belarus, Russia), as well as clients at risk of being adversely affected by the energy crisis and the possible impact of these risks on the Bank's situation;
- 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 2022 included in particular:

- Assessment of the achievement of management objectives, objectives for areas within their respective remits and individual objectives set for members of the Management Board for 2021, as well as determination of management objectives, objectives for overseen areas and individual objectives for members of the Management Board for 2022;
- Review and assessment of the Bank's and the BOŚ Group's financial statements for 2021, the Directors' Report on the operations of the Bank and the BOŚ Group in 2021, as well as reviewing and issuing opinions on materials to be presented to the Annual General Meeting of BOŚ S.A. held on June 30th 2022;
- Continuous 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.,
  - Model operational management policy at Bank Ochrony Środowiska S.A.,
  - Liquidity Strategy of Bank Ochrony Środowiska S.A. for 2022-2023,
  - Long-term plan to raise and maintain stable external funds at Bank Ochrony Środowiska S.A. for 2022-2023,
  - Capital plan of Bank Ochrony Środowiska S.A.,
  - Information policy – Rules governing disclosure by Bank Ochrony Środowiska S.A. of qualitative and quantitative information on capital adequacy;
  - Bank Ochrony Środowiska S.A.'s policy to manage capital and the ICAAP process,
  - Rules governing the operation of the Compliance Department and the unit's 2022 Action Plan,
  - Internal audit chart – rules governing the operation of the internal audit function at Bank Ochrony Środowiska S.A.,
  - Policies and procedures for the selection of the audit firm and policies on the provision of additional services by the audit firm at Bank Ochrony Środowiska S.A.,
  - Internal control system at Bank Ochrony Środowiska S.A.
  - Code of Ethics of Bank Ochrony Środowiska S.A.,
  - Compliance Policy of Bank Ochrony Środowiska S.A.,
  - Update of the Development Strategy of Bank Ochrony Środowiska S.A. for 2021-2023.



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 2022 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 2022 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 compliance by 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 Bank Ochrony Środowiska S.A.'s compliance with the corporate governance principles and fulfilment 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 2022
- Assessed the performance by the Management Board of the disclosure obligations referred to in Article 380<sup>1</sup> of the CCC and assessment of the manner in which the Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested under the procedure set forth in Article 382.4 of the CCC (Appendix 5 to this Report);
- assessed the degree of implementation of the diversity policy for the Management Board and the Supervisory Board of the Bank (Appendix 6 to this Report);
- assessed the Directors’ Report on the operations of the BOŚ Group in 2022, 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 2022, for their consistency with the accounting records, supporting documents and facts. The Supervisory Board issued a relevant statement, which was published on March 22nd 2023, together with the Bank’s and the Group’s annual report for 2022.

In addition, the Supervisory Board considered and approved the ‘Report on expenses incurred in 2022 on entertainment and on legal, marketing, public relations, social communication and management consultancy services in 2022’, presented to the Annual General Meeting by the Management Board.

The Supervisory Board hereby confirms that it has conducted a self-assessment of the internal regulations governing the functioning of Bank Ochrony Środowiska S.A.'s Supervisory Board, as well as the effectiveness of its operations in 2022. This self-assessment was carried out in compliance with Recommendation Z of the Polish Financial Supervision Authority. This

supplementary document, which complements the present Report, has been presented as a separate agenda item during the Bank's General Meeting held today.

### 3. Composition of the Supervisory Board Committees and summary of their activities in 2022

#### 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 2022, the Internal Audit Committee consisted of:

- Zbigniew Dynak, Chairman of the Committee (until June 30th 2022).
- Aleksandra Świdorska, Chairwoman of the Committee (from June 30th 2022)
- Emil Ślęzak, Deputy Chairman of the Committee (*on November 23rd 2022, seconded to temporarily serve as President of the Management Board*)
- Leszek Banaszak, Member of the Committee (until June 30th 2022)
- Ireneusz Purgacz, Member of the Committee (until June 30th 2022)
- Iwona Marciniak, Member of the Committee (from June 30th 2022)
- Andrzej Matysiak, Member of the Committee (from June 30th to September 28th 2022)
- Paweł Sałek, Member of the Committee (from December 19th 2022).

In 2022, the Committee meetings were held as needed, mainly to execute the Committee's Work Plan and address the current needs of the Bank. In 2022, the Committee held 14 meetings, as documented in the relevant minutes. The majority of the Committee's meetings in 2022 were held in-person.

The Internal Audit Committee's 2022 Work Plan, which was supplemented in June 2022 with cyclical management information from the AML area, was fully executed.

The Committee meetings 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 three meetings of the Committee.

In 2022, the Internal Audit Committee issued opinions and recommendations to the Supervisory Board with respect to matters under its consideration. During the reporting period, the Committee made one recommendation: *to prepare and present an update on the implementation of the 'Auditor's Recommendation after the Audit of the Financial Statements of the Bank and Group as of December 31st 2021' at the October 2022 Board meeting.* The recommendation was implemented.

In 2022, a review was undertaken of the 'Organisation and Tasks of the Internal Audit Committee' aimed to assess the adequacy of the Committee's structure and responsibilities, and to ensure its compliance with relevant laws, the Bank's internal regulations, as well as established market recommendations and standards. Following the review, amendments were proposed to the Rules of Procedure for the Committee. Consequently, these were revised and updated in March 2023.

Throughout 2022, the Committee diligently fulfilled its responsibilities, adhering to the mandates defined by law and the recommendations provided by the Polish Financial Supervision Authority, which outline the roles and authorities 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 2021 as well as the Directors' Report on the operations of the Group in 2021, 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 2021;
- 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).

The Internal Audit Committee also:

- 1) considered and approved:
  - Information on planned changes in the Bank's accounting policies;
  - 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;
  - Provision by Mazars Audyt Sp. z o.o. of an additional service of assessing the compliance of the information disclosed by BOŚ S.A. with the requirements for capital adequacy and variable remuneration components as of December 31st 2021.
- 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;
  - 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 2022 and an annual report on the function's performance in 2021;
  - Compliance policy at Bank Ochrony Środowiska S.A.;
  - Regular (quarterly) 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 recommendations of the FSC resulting from checks and inspections carried out at the Bank;
  - Code of Banking Ethics;
  - Principles of internal control at Bank Ochrony Środowiska 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';
  - Policies and procedures for the selection of the audit firm and policies on the provision of additional services by the audit firm at Bank Ochrony Środowiska S.A.

In addition, this year the Committee prepared a recommendation for the Supervisory Board on the evaluation of the internal control system at BOŚ S.A. in 2022. Based on the materials and information provided by the Management Board, the Internal Audit Department, and the Compliance Department, the Committee recommended a rating of 3 for the effectiveness of the internal control system on a scale of 1 to 4 (with 1 being the highest score). This rating, "Adequate and effective with reservations," remained consistent with the

previous year's assessment. (The Supervisory Board assessed the effectiveness of the internal control system in 2022 based on the recommendation provided by the Committee. The rationale for this assessment is detailed in Appendix 1 of this Report.)

### 3.2. Remuneration and Nominations Committee

The Committee operates pursuant to the 'Rules of Procedure for the Remuneration and Nominations Committee'.

The Committee's responsibilities include in particular:

- 1) providing opinions on and monitoring the Bank's remuneration policy and supporting the Bank's governing bodies in designing and implementing the policy,
- 2) providing opinions on and monitoring variable remuneration of the key personnel responsible for risk management in dedicated job positions, as well as persons responsible for managing the compliance and the internal audit units,
- 3) providing 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) providing 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) providing 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 2022, the Remuneration and Nominations Committee consisted of the following members:

- Ireneusz Purgacz, Chairman of the Committee (until June 30th 2022)
- Piotr Sadownik, Chairman of the Committee (from June 30th to November 23rd 2022) and Member of the Committee (from December 19th 2022).
- Paweł Sałek, Chairman of the Committee (from December 19th 2022).
- Piotr Wróbel, Deputy Chairman of the Committee (until June 30th 2022)
- Piotr Bielarczyk, Deputy Chairman of the Committee (from June 30th 2022).
- Robert Czarnecki, Member of the Committee (until June 30th 2022)
- Janina Goss, Member of the Committee (until December 10th 2022)
- Tadeusz Wyrzykowski, Member of the Committee (from June 30th 2022).
- Andrzej Matysiak, Member of the Committee (from September 28th to December 19th 2022)

The Committee meetings were held on an as-needed basis, mainly to execute the Committee's Work Plan and address the needs of the Bank. The Risk held 10 meetings in 2022.

The Committee meetings were mainly devoted to:

- 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 July 2nd 2021 on the assessment of the suitability of members of the management body and key function holders;

- variable remuneration of the Bank's key 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.
- determination of management objectives (common), objectives of the supervised area and individual objectives and their materiality 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 2022 were taken into consideration and implemented.

The results of the Committee's work in 2022 included in particular:

- 1) Annual review of the fulfilment of suitability criteria by members of the Bank's bodies, including an examination of collected documentation and credibility checks. This process allows for a secondary assessment of the individual suitability of the members of the Supervisory Board, as well as the collegial suitability of the Supervisory Board as a whole. Additionally, the individual suitability of the members of the Internal Audit Committee and the collegial suitability of this Committee are evaluated. Similarly, the individual suitability of the members of the Management Board and the collegial suitability of the Bank's Management Board are assessed. Based on these assessments, appropriate recommendations are developed;
- 2) Recommendations for the Supervisory Board on:
  - Secondary assessment of the suitability of members of the Management Board is conducted in light of changes in the division of competencies and the assumption of positions on the supervisory boards of subsidiaries;
  - Management objectives, objectives of the supervised area and individual objectives and their materiality for members of the Management Board for 2022;
  - Assessment of the achievement of management goals set for 2021, the goals specific to each supervised area, and the individual goals of members of the Management Board, and settlement of variable remuneration for 2018-2019 and 2021;
  - Adoption of a resolution to initiate qualification proceedings for the position of President of the Management Board;
- 3) Giving opinions on:
  - Proposals to amend the model management services contract with members of the Management Board;
  - Draft 'Report on the Remuneration of Members of the Supervisory Board and the Management Board of Bank Ochrony Środowiska S.A. for 2021';

- Draft "Report on the activities of the Remuneration and Nominations Committee in 2021";
  - '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';
  - Proposals regarding the amount of variable remuneration for 2021 for management personnel holding positions with a material impact on the Bank's risk profile (risk takers);
  - Results of the analysis of the materiality of impact of individual subsidiaries on the Bank's risk profile as at June 30th 2022;
- 4) Consideration of materials prepared at the Committee's request, including in particular the monthly information on 'Significant events in the area supervised by HR'.

In addition, in the current year the Committee:

- Reviewed the current 'Remuneration Policy for Members of the Supervisory Board and of the Management Board of BOŚ SA,' including an analysis of market-sourced data on the remuneration of members of supervisory boards and management boards;
- Prepared, in accordance with the 'Principles of Corporate Governance for Supervised Institutions' issued by the Polish Financial Supervision Authority, the 'Assessment of the implementation of the remuneration policy at BOŚ S.A. in 2022', 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;
- Prepared, in accordance with the 'Best Practice for WSE Listed Companies 2021', '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 6 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 EPC facilitates 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 2022, the Environmental Protection Committee consisted of the following members:

- Andrzej Matysiak, Chairman of the Committee

- Paweł Sałek, Deputy Chairman of the Committee (until December 19th 2022)
- Tadeusz Wyrzykowski, Deputy Chairman of the Committee (from December 19th 2022)
- Janina Goss, Member of the Committee (until December 10th 2022)
- Marcin Jastrzębski, Member of the Committee (until June 30th 2022)
- Piotr Bielarczyk, Member of the Committee (from June 30th 2022).

The Committee meetings were held on an as-needed basis, mainly to execute the Committee's Work Plan.

In 2022, the Committee held eight 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 as well as the Directors and employees of organisational units involved in environmental protection.

In 2022, 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.

As part of the consideration of the above reports, the Committee engaged in discussions on various topics, including:

- the balance and quality of the portfolio 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 and the environmental effects achieved,
- involvement of competitor banks in financing environmental protection projects;
- steps taken to strengthen cooperation with the National Fund for Environmental Protection and Water Management and emphasized the need to gradually increase the Bank's involvement in pro-environmental activities and expand cooperation with these Funds.

The Committee also addressed other pertinent environmental-protection matters during its discussions, providing relevant recommendations to the Supervisory Board. In particular, the Committee considered the following studies in 2022:

- Semi-annual reports on the implementation of the ESG Strategy;
- ESG Rating – project summary;
- Information on the implementation plan for the Bank's ESG Strategy in 2022, including information about planned activities aimed at enhancing the Bank's ESG rating throughout the year;
- Information regarding the expenses associated with the implementation of the Bank's ESG Strategy in 2022, including details on the costs of



development programmes aimed at supporting the implementation of the Strategy;

- Information on the planned directions for updating the 'Climate Policy of Bank Ochrony Środowiska S.A.', followed by a draft amendment to the Policy;
- Information on consulting services at BOŚ Group;
- Study 'The impact of EU systematics regulations on the Bank's portfolio of green loans';
- Study 'Compilation of portfolios and environmental offerings of selected banks operating in Poland in 2021 based on publicly available information';
- Report on the activities of the Environmental Protection Committee in 2021.

### 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 2022, the Committee consisted of:

- Emil Ślązak, Chairman of the Committee (until September 28th 2022) and then Member of the Committee (from September 28th 2022). As of November 23rd 2022. Mr Emil Ślązak was seconded to perform the duties of President of the Management Board;
- Paweł Sałek, Chairman of the Committee (from September 28th to December 19th 2022)
- Aleksandra Świdorska, Chairwoman of the Committee (from December 19th 2022)
- Leszek Banaszak, Deputy Chairman of the Committee (until June 30th 2022)
- Tadeusz Wyrzykowski, Deputy Chairman of the Committee (from June 30th 2022).
- Iwona Marciniak, Member of the Committee (from June 30th 2022)
- Andrzej Matysiak, Member of the Committee (until September 28th 2022)
- Piotr Sadownik, Member of the Committee (from September 28th 2022).

In 2022, the Committee meetings were held as needed, mainly to execute the Committee's Work Plan and address the needs of the Bank.

In 2022, the Risk Committee held 12 meetings, 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, 4) members of the Supervisory Board who are not members of the Committee.

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

- 1) Issuing comprehensive opinions on the Bank's current and future willingness to accept risk, including:
  - receiving periodic reports/ information from the Bank's Management Board on key events relevant for Bank's risk level and on material changes in the risk management process and system,
  - receiving periodic reports/information from the Bank's Management Board on the Bank's risk level, increased exposure to specific risks, risk identification and monitoring methods, risk mitigation measures in place;
- 2) Issuing opinions on the Bank's business risk management strategy developed by the Management Board and the Management Board's updates on the strategy implementation;
- 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 2022, 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 2022–2023,
    - Liquidity Strategy of BOŚ S.A. for 2022–2023,
    - 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.;
- 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,
  - Policy of the Bank 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,
  - Clients with organisational or commercial ties to conflict countries (Ukraine, Belarus, Russia),
  - portfolio of clients at risk of being adversely affected by the energy crisis,
  - implementation of measures to adapt impairment models to the new definition of default (rebuilding of the IFRS 9 model, implementation of the Auditor's recommendations),
  - status of the following projects: Digitization of retail processes and NPK Korpo.

Additionally, during the current year, the Committee formulated a recommendation for the Supervisory Board regarding the evaluation of the risk management system at BOŚ S.A. in 2022. Based on the materials and information provided by the Management Board, the Committee recommended a rating of 3 for the effectiveness of the risk management system on a scale of 1 to 4 (with 1 being the highest score). This rating, "Adequate and effective with reservations," remained consistent with the previous year's assessment. (The Supervisory Board assessed the effectiveness of the risk management system 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 Bank's Strategy and Development Committee was in operation until June 30th 2022. The Committee's primary role was to cooperate with and support the Management Board in its work on the Bank's Strategy, including:

- 1) monitoring the timetable for the preparation of the Bank's Strategy,
- 2) monitoring the process of implementing 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 opinions concerning information submitted to the Supervisory Board about:
  - the Bank's and the Group's development strategy under preparation,
  - implementation of the adopted strategic objectives, as part of the annual reporting process,
  - reasons for updating the Bank's strategy,
- 5) executing, at the request of the Supervisory Board, other tasks aimed at supporting the oversight of the Bank's development strategy.

Since the Bank's Development Strategy, including the update of financial projections for 2021-2023, was passed in June 2022, the Supervisory Board of the twelfth term, which was appointed as of June 30th 2022, concluded that the role

of the Strategy and Development Committee had been fulfilled. As a result of this decision, the Strategy and Development Committee was dissolved.

In 2022, until its dissolution, the Committee consisted of:

- Marcin Jastrzębski, Chairman of the Committee,
- Robert Czarnecki, Deputy Chairman of the Committee,
- Zbigniew Dynak, Member of the Committee,
- Piotr Wróbel, Member of the Committee.

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 2022, five meetings of the Committee were held to prepare the Bank's new development strategy for 2021–2023. As a result of its work, the Committee, on June 22nd 2022, recommended approval of the update of the Bank's Development Strategy for 2021-2023, and the Supervisory Board, in accordance with this recommendation, approved the document.

In addition to the activities mentioned above, the Committee:

- supported the Management Board in the development and implementation of the 2022 Strategy Operationalisation Plan,
- monitored the progress of the implementation of the Bank's Development Strategy for 2021–2023, and familiarised itself with the annual report on the implementation of the Bank's Strategy in 2021,
- familiarised itself with and analysed the assumptions and expected results of the Sales Strategy under preparation,
- reviewed and discussed topics pertaining to various strategic initiatives, such as the establishment of a consulting services portfolio, the Product Factory, and Customer Relationship Management (CRM). Additionally, the Committee addressed developments in environmental business, including compliance with Best Available Techniques (BAT) requirements in the food industry, waste management, and the development of renewable energy sources (RES) with a focus on offshore wind farm projects. The Committee also reviewed labour and cost considerations associated with the implementation of the 2022 ESG Rating Improvement Plan, as well as conducted a review of IT systems.

#### 4. Satisfaction of the independence criteria by members of the Supervisory Board in 2022

In 2022, the Supervisory Board of BOŚ S.A. was composed of:

- 1) Emil Ślężak (seconded to the Bank's Management Board as of November 23rd 2022)
- 2) Ireneusz Purgacz (until June 30th 2022)
- 3) Paweł Sałek
- 4) Leszek Banaszak (until June 30th 2022)
- 5) Robert Czarnecki (until June 30th 2022)
- 6) Zbigniew Dynak (until June 30th 2022)

- 7) Janina Goss (until December 10th 2022)
- 8) Marcin Jastrzębski (until June 30th 2022)
- 9) Andrzej Matysiak
- 10) Piotr Wróbel (until June 30th 2022)
- 11) Piotr Bielarczyk (from June 30th 2022)
- 12) Iwona Marciniak (from June 30th 2022)
- 13) Piotr Sadownik (from June 30th 2022)
- 14) Aleksandra Świdorska (from June 30th 2022)
- 15) Tadeusz Wyrzykowski (from June 30th 2022).

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 2022:
  - Mr Piotr Sadownik, Mr. Paweł Sałek, Ms. Aleksandra Świdorska, Mr. Emil Ślązak;
- the independence criteria were not met by four persons:
  - Ms Iwona Marciniak, Mr. Andrzej Matysiak, Mr. Tadeusz Wyrzykowski – due to professional relationships with shareholders holding at least 5% of the total voting rights in BOŚ S.A.;
  - Mr Piotr Bielarczyk – due to his professional relationship with the Bank over the past three years.

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 provides additional information concerning the fulfillment of independence criteria by the members of the Internal Audit Committee. After changes were made to the composition of the Committee during the year, as at the end of 2022, three members of the Committee met the independence criteria outlined in the Act of May 11th 2017 on Statutory Auditors, Audit Firms, and Public Oversight, and one member of the Committee did not meet these criteria. At the end of 2022, the condition that the majority of the

members of the Internal Audit Committee, including its Chairman, meet the criteria for independence was fulfilled.

**5. 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.

**6. Report of the Supervisory Board on the assessment of:**

- the statements and reports of the Bank and the BOŚ Group for 2022 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 2022.

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 2022 (consolidated financial statements),
- 2) full-year financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2022 (separate financial statements),
- 3) Directors' Report on the operations of the Bank Ochrony Środowiska Group in 2022, 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 22nd 2023, 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 24th 2023, the Management Board's proposal concerning allocation of the Bank's profit for 2022, the Supervisory Board issued a positive opinion on the proposal, whereby the entire profit of PLN 127,608 thousand (one hundred twenty-seven million, six hundred eight thousand złoty) 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.

#### 7. Aggregate amount of consideration payable by the Bank for any audits ordered by the Supervisory Board in the financial year by the selected adviser.

In 2022, the Supervisory Board did not commission any audits from consultants, and as a result, the Bank did not incur any costs associated with such audits.

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Upon submitting this Report, along with the assessments and information included in the appendices, the Supervisory Board formally requests the General Meeting to grant approval for this Report.

For the Supervisory Board of Bank Ochrony Środowiska S.A.  
Chairman

Piotr Sadownik





**Assessment of the Bank's standing in 2022 on a consolidated basis,  
including assessment of the internal control, risk management and compliance  
systems and the internal audit function.**

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The Supervisory Board's assessment of the Bank's standing in 2022 on a consolidated basis, taking into account the assessment of internal control, risk management and compliance and internal audit systems, is based on the corporate governance principles set out in the 'Code of Best Practice for WSE Listed Companies 2021'.

The Supervisory Board assessed the Bank's standing in 2022 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 2022, 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 2022 and the full-year consolidated financial statements of the BOŚ Group for the year ended December 31st 2022;
- The auditor's report on the audit of the financial statements for 2022 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 2022

In its assessment of the Bank's and the BOŚ Group's standing in 2022, the Supervisory Board takes into account the following facts:

- 1) The BOŚ Group achieved a record-high net profit of PLN 128.2 million, surpassing the previous year's amount of PLN 47.5 million.
- 2) Despite the burden of 'loan repayment holidays' costs, the Group delivered a substantial increase in interest income, exceeding the previous year's amount by PLN 383.8 million. The largest increases were recorded in interest income from institutional clients and interest on investment debt securities. The key reason behind the higher income was an increase in the WIBOR benchmark following a decision by the Monetary Policy Council to raise interest rates.
- 3) Net fee and commission income was PLN 127.6 million, which represents a year-on-year decrease of PLN 14.3 million. There was a decline in fee and commission income from brokerage services due to a downturn affecting the stock exchange market. This was partly offset by a rise in commission fees on guarantees and letters of credit and in commission fees on loans.
- 4) Administrative expenses of the Group went up by PLN 100.4 million, or 25.4%, on 2021, the increase driven mainly by the amount of the contribution to the Borrowers' Support Fund. Employee benefit costs also increased. The Bank carried out a job valuation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks.
- 5) The cost of legal risk related to mortgage loans denominated in foreign currencies was PLN 144.3 million (2021: 20.8 million). The increase in this item is attributed to adopting more conservative parameters for the provision estimation model and a change in accounting policy for the presentation of the legal risk provision. According to the adopted rules, in the case of active loans, the provision is recognised as an adjustment (reduction) of the gross carrying amount of loans in accordance with IFRS 9. The policy change resulted in the release of some impairment charges and an increase in the cost of legal risk of mortgages.
- 6) In 2022, the key profitability and efficiency ratios for the BOŚ Group improved on 2021: return on equity (ROE) and return on assets (ROA) were 6.7% and 0.6%, respectively, while in 2021, the ratios were 2.5% and 0.2%, respectively. The cost/income ratio decreased to 52.9%, representing a year-on-year decline of 12.0pp. This improvement can be primarily attributed to a higher rate of income growth compared to expenses. Interest margin on total assets increased to 3.6% from 1.8% the year before, due mainly to higher market interest rates compared with the rates at the beginning of 2021.
- 7) The share of amounts due from clients with indications of impairment in the entire portfolio measured at amortised cost was 14.9% as at December 31st 2022, compared with 13.3% as at the end of 2021.
- 8) As at the end of 2022, 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%, and remained unchanged on year-end 2021,

- non-financial sector deposits – 1.1%, and remained unchanged on year-end 2021,
  - lending products – 0.7% (year-end 2021: 0.8%).
- 9) On October 19th 2022, Fitch Ratings Ltd, a rating agency, affirmed the Bank's ratings and maintained the stable outlook. The current ratings are as follows:
- Long-Term Foreign Currency Issuer Default Rating: BB-, outlook stable,
  - Short-Term Foreign Currency Issuer Default Rating: B

The Supervisory Board emphasises that:

- 1) As of December 31st 2022, the capital adequacy ratio of the BOŚ Group remained above the levels recommended by the Polish Financial Supervision Authority, despite recognition of provisions for risks associated with mortgage loans denominated in foreign currencies, amounting to PLN 514.8 million. The Tier 1 capital ratio was 14.11%, compared with 13.26% at year-end 2021, and the total capital ratio was 14.95%, compared with 14.61% a year before. The Tier 1 capital ratio and the TCR of the Bank on a standalone bases were, respectively, 14.16% (year-end 2021: 13.38%) and 15.05% (year-end 2021: 14.81%), while the minimum levels recommended by the PFSA being 9.94% for the Tier 1 capital ratio and 11.94% for the TCR. This means that both the Bank and the Group companies maintained capital safety ratios above the minimum regulatory levels.
- 2) Despite the adverse impact of the war in Ukraine, regulatory changes including 'loan repayment holidays' costs, contributions to the Borrowers' Support Fund, and increased provisions for foreign currency housing loans, in 2022 the BOŚ Group delivered:
  - a record-high net profit of PLN 128.2 million, compared with PLN 47.5 million in 2021,
  - an increase in return on equity (ROE) from 2.5% in 2021 to 6.7% in 2022,
  - an improved cost/income (C/I) ratio, which fell from 64.9% in 2021 to 52.9% in 2022.
- 3) In 2022, the Bank expanded its engagement in financing environmental projects. As at the end of 2022, loans granted for projects supporting environmental protection and sustainable development accounted for 40.79% of the Bank's total loan portfolio (37.12% as at the end of 2021). As at December 31st 2022, green loans amounted to PLN 5.1 billion, up by 6.9% on 2021.
- 4) In line with the Development Strategy for 2021-2023, the Bank improved its overall ESG Risk rating in 2022, achieving a score of 14.2 ("Low Risk"). With the December 2022 result, BOŚ moved into the top 9% of the best-rated banks globally.
- 5) The Bank experienced an improvement in employee engagement, as evidenced by a 7 percentage point increase in the employee engagement index compared to the results of the 2021 Employee Opinion Survey.
- 6) Several initiatives have been implemented to foster a transformation in the Bank's corporate culture, aiming to establish BOŚ as a modern and adaptable organization while upholding its core values, such as respect for

others and the environment, fostering a sense of commitment, promoting collaboration, and emphasizing professionalism.

- 7) The Bank was awarded the title of 'Responsible Employer – HR Leader 2022'. During the evaluation process, the Judging Panel placed significant emphasis on several criteria, including the Bank's sustained presence on the labour market and its ability to offer an increasingly attractive employee value proposition; an extensive training system in terms of the amount and content of training as well as the number of employees involved; highest standards of the proposed incentive scheme; an impressive range of activities as part of the Bank's corporate social responsibility efforts; placing particular emphasis on activating employees in the sphere of broadly understood ecology and care for the environment.
- 8) The Bank's pro-environmental activities were recognised and honoured with important, recognised awards and distinctions:
  - The Bank was distinguished as 'Financial Brand of 2022' for its consistent support to green transition of the Polish market.
  - BOŚ was awarded the title of Laureate of the Social Responsibility Leaders Programme in as many as three categories: Good Employer 2022, EKO Company 2022, and Good Company 2022. These titles serve as a confirmation of Bank Ochrony Środowiska's reputation as a robust institution that is attentive to the needs of local communities and its employees.
  - Bank Ochrony Środowiska was named the winner in the Sustainable Finance Leader category by the Judging Panel of the 'Sustainable Economy Diamonds' competition. The SUSTAINABLE ECONOMY SUMMIT is a significant event that brings together companies from various sectors of the economy who are actively implementing and pursuing sustainable development goals.
  - The Bank was awarded a Silver CSR Leaf by the Polityka weekly,
  - BOŚ ranked 12th in the 16th edition of the Ranking of Responsible Companies.

DM BOŚ's strong market position and the delivery of high-quality services once again resulted in the company winning industry awards.

- DM BOŚ was voted the Best Brokerage House of the Year in the 19th Nationwide Investor Survey carried out by the Polish Association of Retail Investors;
- DM BOŚ was honoured with the prestigious Invest Cuffs statuette in the "Brokerage House 2021" category. The brokerage house was awarded the Order of Finance by the Home&Market monthly;
- As part of the Stock Market Year Summary, DM received the prestigious Annual Award for being recognized as the Market Maker of the Year in the Futures Market.
- DM was also awarded the Capital Market Hero statuette in the Brokerage House and the Popularizer of the Idea of Long-Term Savings categories.

The Supervisory Board pointed to the potential impact of changes in the external environment on the Bank's business. In 2022, the Bank monitored the economic and market situation, in particular the risk of major sudden external events likely to have a significant indirect impact on the Bank's overall condition. Despite the ongoing war in Ukraine and the associated stress scenario, the Bank successfully navigated through the situation without encountering any liquidity issues or adverse impacts on other financial risks. The Bank encountered short-lived liquidity issues on the interbank market and experienced a temporary increase in cash withdrawals during the first quarter of 2022. However, it effectively managed these challenges and observed no major threats to its liquidity. The Bank consistently monitored the portfolio of its largest exposures that were linked to the conflict zone, both in terms of commercial and organizational aspects.

The Supervisory Board has provided a positive assessment of the Bank's offering of special solutions to clients under national and regional operational programmes:

- 'My EV' – the Bank is implementing an agreement with the National Environmental Protection and Water Management Fund for subsidized leasing of zero-emission vehicles under the "My EV" Priority Programme. The Programme aims to facilitate the acquisition of zero-emission vehicles. As part of the agreement, the Bank was allocated PLN 200 million to subsidise leases of environmentally-friendly vehicles. The funds are available for use in 2021–2023. Until December 31st 2022, the Bank entered into collaboration agreements with 24 leasing companies.
- ELENA grant – pursuant to the agreement signed between the Bank and the European Investment Bank (EIB) in February 2022 under the ELENA initiative, the Bank received a grant of EUR 2.6 million. Eligible for support will be public sector entities (local government units and municipal companies), housing sector entities (housing cooperatives and housing communities) and businesses (including SMEs).
- JESSICA Initiative – under agreements with the EIB, the Bank acts as the manager of the Urban Development Fund in selected provinces.
- JEREMIE Initiative – under agreements with the EIB, the Bank has been acting as a JEREMIE Financial Intermediary in the West Pomeranian region since 2017.
- BGK portfolio guarantees – In view of the COVID-19 pandemic in 2022, the armed conflict in Ukraine and it being no longer possible to provide new liquidity guarantees and factoring guarantees under the Liquidity Guarantee Fund, BOŚ signed new cooperation agreements with BGK:
  - Portfolio Guarantee Line Agreement under the Crisis Guarantee Fund No. 6/PLG-FGK/2022, for the provision of guarantees securing repayment of liquidity support and investment financing loans granted by BOŚ to medium-sized and large enterprises (agreement signed on June 30th 2022);
  - Portfolio Factoring Guarantee Line Agreement under the Crisis Guarantee Fund No. 3/LGF-FGK/2022, for the provision of guarantees securing repayment of liquidity support factoring limits granted by BOŚ to small, medium-sized and large enterprises (agreement signed on July 3rd 2022).

The Supervisory Board placed significant emphasis on addressing the issue of housing loans denominated in Swiss francs. IN 2022, the Bank implemented the Compromise and Settlement Programme for clients repaying foreign currency-linked mortgage loans under rules proposed by the Chairman of the Financial Supervision Authority. The Programme was launched on January 31st 2022. Until December 31st 2022, the Bank received 798 applications for settlement concerning foreign currency mortgage loans. The outstanding balance of those loans was PLN 81 million. 327 settlement agreements were signed.

In November 2022, the Supervisory Board approved an update to the BOŚ S.A. Development Strategy. The Strategy update was prompted by changes in the Bank's external environment in terms of regulatory factors (loan repayment holidays, the Borrowers' Support Fund) and macroeconomic conditions (interest rate volatility). The Bank's existing business model and strategic development directions remain unchanged. At the same time, the Group Recovery Plan of Bank Ochrony Środowiska S.A. was updated, which, after approval by the Supervisory Board, was submitted to the Financial Supervision Authority in November 2022.

In evaluating the Bank's performance in 2022, specifically the delivery of the highest financial result in the Bank's history, the Supervisory Board acknowledges that:

- 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, and to improve the quality of the loan portfolio.

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 Supervisory Board notes that efforts to further deepen and strengthen cooperation between the Bank and its strategic shareholder should be continued;
- recognises that:
  - the ruling of the Court of Justice of the European Union (CJEU) on residential foreign currency loans, depending on its wording, may have adverse implications for the banking sector, including BOŚ. on February 16th 2023, the Advocate General of the CJEU published an opinion that was unfavourable to banks;
  - the heightened geopolitical risk resulting from the ongoing Russian-Ukrainian war and the economic sanctions imposed on Russia and Belarus by the European Union, the United States, and other countries, along with their potential impact on the commodities market, particularly energy market, is a significant factor that currently shapes, and will continue to shape, the macroeconomic and market situation. the war in Ukraine has led to economic consequences, including lower economic activity and increased inflation in Europe and Poland

compared to pre-invasion forecasts. These factors have the potential to impact the business of 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)<sup>2</sup>, the 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 2022 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 2021.

The key factors behind the assessment of the internal control system in 2022 included:

- the operation of the Bank's risk management and internal control systems, which are organised around three independent levels (three lines of defence);
- the findings of thematic inspections carried out by the Polish Financial Supervision Authority ('PFSA'), concerning: 1) assessment of asset quality, credit risk management, market risk and general interest rate risk in the bank's portfolio, as well as 2) compliance with selected obligations related to anti-money laundering and counter-terrorist financing under the AML Law;
- changes in material processes and the Matrix of Control Functions, including the identification of risks and key controls within these processes;
- review of the Internal Audit Department's Risk Map which revealed that no processes with inadequate and ineffective controls were identified among the 76 processes covered by the Risk Map; out of the 76 processes included in the review, 4% were found to have adequate and effective controls, 72% had adequate and effective internal controls with some shortcomings, and the remaining 24% had adequate and effective controls with reservations;
- findings of the Internal Audit Department's assessment of compliance with the recommendations issued after inspections performed by supervisory and inspection bodies;
- findings of planned and ad hoc audits carried out at the Bank and the subsidiaries. Following the identification of inefficiencies or irregularities, in 2022 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,
- assessment of the compliance risk presented in the Compliance Department's periodic information and reports on compliance risk management at the Bank and the BOŚ Group,

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<sup>2</sup> the PFSA's supervisory assessment carried out using the 'Methodology for the audit and supervisory assessment of commercial, affiliating and cooperative banks'.

- information resulting from the implementation of the tasks of the compliance function in 2022;
- assessment of the adequacy and effectiveness of the control function on the first and second lines of defence in 2022;
- annual assessment by the Internal Audit Department of the adequacy and effectiveness of the Bank's internal control system;
- the findings of the annual monitoring of the internal audit unit's activities, i.e. self-assessment of the Internal Audit Department for 2022, 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),
- the external ratings on the Bank (Fitch Ratings and ESG Rating).

The audits carried out in 2022 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 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 Finance, Funds, and Regional Policy of June 8th 2021 on the risk management system and internal control system, remuneration policy 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 five years;
- Results of the annual monitoring of the internal audit unit's activities, including:
  - Programme to ensure and raise the quality of the Internal Audit Department's work – the Programme for 2022-2024 included seven tasks to be undertaken by the Department during the period. Five tasks had been completed by December 31st 2022. As part of the Quality Assurance and Improvement Program, a self-assessment of the audit function was

conducted, demonstrating full alignment with the IIA International Standards and Recommendation H;

- 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, contained 12 actions planned to be implemented over a three-year period. In 2022, the Internal Audit Department performed nine tasks, including some activities that are carried out every year on a continuous basis as outlined in the Department's Strategy;
- 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 2022 reflected both the Supervisory Board's and the Management Board's expectations and the PFSA's requirements. The annual audit plan for 2022 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. 23 tasks, including two unplanned tasks, were completed in 2022;

- 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 2022, 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. Evaluation of the compliance function – 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 2022, 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., prepared by the Management Board and approved by the Supervisory Board, and its implementing acts.

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 2022, 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 2022, there were no events which would have a material impact on the level of compliance risk, and the Bank focused its efforts on preventing the occurrence of compliance risk.

As of the end of 2022, the Bank's overall risk of non-compliance was assessed as moderate. However, there were identified areas that generated increased risk, including:

- The AML/CFT area, with a significant number of manual processes and a lack of full compliance with the EBA/GL/2022/05 Guidelines of June 14th 2022, posed increased risk of non-compliance (the PFSA inspection completed in February 2022 resulted in 24 recommendations imposed on the Bank to address these issues);
- The PFSA issued a reminder to the Bank regarding the scale and type of irregularities found in relation to the performance of banking activities in violation of the law. This action was taken in accordance with Article 138.3 of the Banking Law of August 29th 1997 (Dz. U. 2022, item 2324). The irregularities were revealed during the UKNF's thematic inspection conducted at the Bank from August 29th to October 7th 2022;
- Combining of consents for marketing purposes to cover different channels of communication with clients;
- failure to fully implement the PFSA's Recommendation R.

In 2022, the Bank was implementing measures to adapt its operations to the new regulations and standards. The compliance function participated in these measures in the following areas:

- 1) the electronic service of process project (e-service of process),
- 2) the financial information system project,
- 3) implementation of the Benchmark Regulation,
- 4) implementation of 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 the DOCUMENT REGISTER application,
- implementation of financial advisory services,
- the AML Risk Model project for banking systems,
- implementation of a foreign payments verification system,
- participation in the preparation of the Road to the Cloud (CLOUD) project,
- participation in the work aimed at enhancing the Bank's ESG performance and rating,
- participation in the process to implement new products and services,
- implementation of BMR clauses,

In addition, in 2022 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, six internal regulations of the Bank were amended and an Anti-Corruption Policy was implemented.

Furthermore, in collaboration with the HR Department, the compliance function developed and provided the mandatory "Code of Ethics" training course on an e-learning platform to promote the Bank's values and ethical attitudes among employees. The initiative was also aimed at improving the ESG Rating of the Bank.

The Compliance Department and the Legal Department regularly issued monthly regulatory alerts to inform the Bank's organizational units about any changes in regulations applicable to banking and capital markets, as well as

changes in market standards (recommendations and guidelines issued by the Polish Financial Supervision Authority, the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA)).

The Compliance Department played a crucial role in organising and facilitating the PFSA inspection conducted at the Bank from August 29th to October 7th 2022, and was responsible for coordinating the inspection module focused on bank management.

#### 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 2022, 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 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 2022 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 2021.

The rating was mainly an effect of:

- findings of the thematic inspection carried out by the Office of the PFSA at the Bank from August 29th to October 7th 2022, covering: (1) asset quality assessment and credit risk management excluding aspects related to IFRS 9 models (2) management of market risk and general interest rate risk in the banking portfolio, and (3) management of the Bank, as well as verification of the implementation of recommendations issued after the thematic inspection conducted as of March 31st 2020;
- 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 to September 29th 2021. The recommendations, with the postponement of 2 of them accepted by the PFSA, were implemented on time;
- Findings of the BION evaluation carried out by the PFSA as at December 31st 2021, taking into account significant events after the evaluation date;
- The Bank's rating and rating outlook from Fitch Ratings Ltd in October 2022. The agency affirmed the Bank's ratings and the stable outlook. In its ratings action commentary, the Agency explained that the Bank's ratings reflected, among other things, the weak asset quality and only moderate capitalisation, with improving profitability and substantial liquidity buffers in place.

Other risk management elements covered by the assessment of the risk management system in 2022 were:

- Quality of the loan portfolio, which deteriorated compared to the end of 2021;
- Determination 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 by December 31st 2023, and until that date it is required to comply with interim MREL targets;
- Removing the additional capital requirement to cover the risk of mortgage-backed foreign currency loans, and setting an additional capital charge to absorb potential stress losses of 1.44pp at the stand-alone level and 1.34pp at the consolidated level;
- Contingency plans:
  - In terms of credit risk – the Bank monitored factors that could potentially trigger development of a contingency plan. In the first quarter of 2022, the average 6M WIBOR (Warsaw Interbank Offered Rate) increased by over 200 bps compared with the average value of



the benchmark during the same period in the previous year. The increase was attributed to the tightening of the National Bank of Poland's monetary policy, and the conducted analyses did not indicate the necessity for implementing additional measures in response. On May 13th 2022, the Credit Risk Management Committee decided to waive the implementation of the 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 2022, the liquidity contingency plan was updated with respect to: (1) alignment of the Liquidity Contingency Plan with the provisions of the updated Group Recovery Plan, (2) the list of named individuals comprising the Liquidity Crisis Team (a requirement of the financial supervisor). In 2022, 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 złoty 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 2022, 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 Polish Financial Supervision Authority approved the Group Recovery Plan of the BOŚ Group, and on December 31st 2021 the Bank decided to implement the Plan. The implemented Group Recovery Plan replaced the previous Recovery Programme covering the period 2018–2021. The corrective actions taken under the Group Recovery Plan are designed to achieve sustainable profitability of the Bank. The Group Recovery Plan was last updated on October 31st 2022, under a resolution of the Bank's Management Board;
- Operational Risk – In 2022, the Bank experienced a high level of operational risk resulting from operational risk events related to (1) recognition of provisions for legal proceedings related to client suits filed against the Bank regarding foreign currency-linked mortgages, (2) errors made in the process of establishing collateral for loans, (3) frauds involving loan products granted based on falsified documents of applicants and processed through the Sales Platform, (4) unfavourable court rulings or provisions recognised for pending legal proceedings unrelated to credit risk. In 2022, no operational risk tolerance and appetite limits were exceeded. Key operational risk indicators (KRIs) were closely monitored, and instances of exceeding warning and critical levels were identified. These instances did not result in an increase in the level of operational risk in any quarter of 2022. No significant COVID-19-induced operational risks were identified. In 2022, the Bank continued efforts

to enhance operational risk awareness among all employees. To raise employees' awareness of operational risk, several initiatives were implemented, such as an information campaign, a webinar on operational risk and risk culture for Bank employees, inclusion of Risk Culture Principles in onboarding training, and organizing "Risk Days" with senior executives. 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 2022, 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.
- 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 2022, the Model Validation Office performed six periodic validations of models. The following significant models were validated: the behavioural model for individuals, the wind farm valuation model, the individual credit valuation model, the corporate rating model, and the internal capital measurement

model for interest rate risk. As at the end of 2022, 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 had implemented a management information system (MIS) that was tailored to its organizational structure. The MIS served as a crucial tool for controlling banking activities, supporting the Bank's management, particularly in the area of banking risk. Its primary objectives were to enhance task implementation, and ensure operational safety and stability. In addition to the predefined reports available in the management information system (MIS), the Bank conducted analyses to evaluate the influence of the prevailing macroeconomic and political conditions on its clients. This included preparing information on specific client groups with potential exposure to certain risks, such as clients with organizational or commercial ties to conflict countries (Ukraine, Belarus, Russia) or clients at risk of being adversely affected by the energy crisis;
- 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 2022,  
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 2022.

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 risks-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, by providing uniform, non-discriminatory provisions.

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:*
  - a. *payment of a portion of variable remuneration in Bank shares;*
  - b. *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 Nominations 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 2022, 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:*

- The remuneration of the Chairperson of the Supervisory Board of the Bank is lower than the remuneration paid in 2021 to the chairpersons of supervisory boards of other banks listed on the WSE who held the position throughout the entire year;*
- The remuneration of the members of the Supervisory Board of the Bank paid in 2021 is positioned at the lower end of the ranking of remuneration paid to members of supervisory boards of banks listed on the WSE who held their positions throughout the entire year;*
- The remuneration of the person holding the position of the President of the Management Board of the Bank paid in 2021 was the lowest among the remuneration of CEOs of banks listed on the WSE who held their positions throughout the entire year;*
- The remuneration of members of the Management Board of the Bank paid in 2021 was at the lowest level compared to the remuneration paid to board members of banks listed on the WSE who held their positions throughout the entire year.*

*In the absence of relevant data, the analysis covers remuneration paid in 2021 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 2022 represents approximately 62% of the median base salary paid to senior management staff in the banking sector for the same year. Additionally, the total remuneration represents roughly 64% of the median total remuneration paid to senior management staff in the banking sector. The base salaries at BOŚ S.A. increased by 14pp compared to 2021, indicating an improvement in competitiveness.
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, in compliance with Recommendation Z 15 of the PFSA on internal governance at banks, the ratio of the average total annual gross remuneration of members of the Management Board of the Bank to the average total annual gross remuneration of other employees was maintained at a maximum level of 1:16.*  
*In compliance with the PFSA's Recommendation Z 30.1 and the Remuneration Policy, the Bank fulfils its disclosure obligation by providing the information on the ratio of the average total gross remuneration of members of the Management Board in 2022 to the average total gross remuneration of other employees of the Bank in 2022. The disclosed ratio of 6.59 is within the regulatory limit.*
13. The average total monthly remuneration paid in 2022 to the Bank's employees (excluding members of the Management Board and the Supervisory Board) represents 84% of the average gross monthly remuneration paid in the insurance and financial sector in the first nine months of 2022, as announced by Statistics Poland.

The average total monthly remuneration offered to the Bank's employees in the sales network equals 67% of the average gross monthly remuneration in the insurance and financial sector in the first nine months of 2022, as announced by 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 the

Bank's financial performance improves, there is a plan to increase remuneration to align with average industry levels. This may involve the development of variable remuneration schemes to ensure the Bank can attract and retain qualified staff necessary to achieve its strategic objectives. Special attention will be given to areas responsible for digitization, such as IT and cyber security, as well as the risk management area, with the aim of aligning compensation practices with market standards.

The remuneration policy was continued in 2022, resulting in the establishment of a consistent and transparent remuneration system. As part of this effort, a new job evaluation method was introduced starting in 2022. The introduction of the new job evaluation method in 2022 aimed to support the Bank's objective of offering competitive salaries aligned with market levels. It also sought to provide clear career paths for individual employees and lay the foundation for a consistent remuneration system. In response to the emerging trends in the banking industry, particularly the growth of mobile and digital channels, and the need to enhance risk monitoring and mitigation, including credit risk and model validation, the Bank recognizes the importance of aligning its strategies accordingly. To ensure the security of customer funds and meet its obligations, the Bank will prioritize its efforts in these areas, while also considering internal analyses and the need to offer competitive levels of remuneration to attract and retain qualified staff. By focusing on these key areas, the Bank aims to enhance its operational effectiveness and meet the evolving needs of its customers.

14. *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. The following remuneration components were included in the compensation package at BOŚ S.A. in 2022:
- base pay
  - overtime,
  - discretionary award,
  - bonus (under the system in effect until March 31st 2022),
  - commission (under the system in effect until March 31st 2022),
  - competition award,
  - project award,
  - interim bonus (under the system in effect from April 1st 2022), RT bonus (for 2021),
  - pay for paid absences (medical leave, care of family member, rehabilitation benefit, etc.),
  - retirement and disability severance payment,
  - compensation for untaken statutory leave,
  - termination pay,
  - pay for time off from work responsibilities,
  - court-awarded compensation,
  - financial assistance benefit,
  - fuel allowance,
  - car allowance,
  - employer contributions.
18. In 2022 at BOŚ S.A., there was no differentiation among various pay packages in the fixed remuneration component. However, differentiation was implemented in the variable compensation component:
- A dedicated system of variable remuneration was established for key managers, known as "Risk Takers," whose professional activities in their positions significantly influenced the Bank's risk profile. The purpose of this system was to align remuneration with the Bank's long-term business and financial objectives.
  - On April 1st 2022, a unified annual bonus system was implemented for all non-Risk Taker employees. The purpose of this system was to establish a link between the outcomes of tasks performed during the pay period and the corresponding amount of variable pay. Under this system, the bonus amount was determined using three mechanisms: MBO 25%, MBO 16%, and MBO 10%. In each of these mechanisms, the percentage represents the proportion of the annual salary that would be awarded if the set targets were achieved at 100%. MBO 25% was designated for sales positions, MBO 16% for support positions, and MBO 10% for operational positions. On October 1st 2022, the MBO

10% mechanism was discontinued, and employees to whom the mechanism had been assigned were transitioned to the MBO 16% mechanism. Additionally, the compensation amount under the new system is influenced by the attitude assessment, which is based on the alignment of the employee's behaviour with the Bank's values.

Under the system, it is possible to provide interim bonuses during the year, specifically to sales staff. Such interim payments reduce the final amount of the bonus that is received during the annual settlement.

- To mitigate the risk of variable remuneration payment under the aforementioned schemes in the event of a challenging financial situation for the Bank, a condition for their activation was implemented. This condition requires the Bank to achieve a net profit for the year of at least 90% in order to trigger the payment of variable remuneration. Moreover, the allocation of a bonus to an individual employee is contingent upon the attainment of their goals at a minimum level of 90%.
- To align remuneration with the Bank's long-term business and financial goals for Risk Takers, the Bank employs a malus mechanism as recommended by the Remuneration and Nominations Committee. The Bank does not see the Clawback mechanism, as its implementation would conflict with labour laws in Poland.

19. In 2022, 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 Nominations 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 2022 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.

**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 2022, the Bank actively engaged in charitable, sponsorship, and similar activities that aligned with its commitment to social responsibility. These activities aimed to promote the Bank's mission and support the interests and values of its stakeholders, as outlined in the Bank's Framework Development Strategy for 2021-2023. The specific areas of focus for these activities included:

- 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.

Aligned with the aforementioned objectives, the Bank actively engaged in charitable activities by providing donations to foundations and organizations focused on assisting the most vulnerable individuals, promoting animal welfare, and supporting educational initiatives. The Bank actively engaged its customers in specific charitable activities. For instance, it involved customers by waiving the presentation of gift packages to participants of the "Idea-Business-Climate" conferences organized by the Bank in 2021 and 2022. Instead, the funds allocated for those packages were used to support selected foundations. Also, as a means of support, the Bank implemented a program where it donated one zloty for each customer satisfaction survey completed to organizations dedicated to animal welfare.

DM BOŚ focused its activities on providing support to foundations and organizations dedicated to assisting the most vulnerable and disadvantaged individuals. A particular emphasis was placed on aiding children in their battle for life, health, fitness, and a brighter future. DM BOŚ also extended its support to foundations that are devoted to assisting refugees from Ukraine.

Furthermore, educational and charitable initiatives fall under the purview of the BOŚ Foundation, which is supported in fulfilling its statutory mission through donations provided by the Bank and DM BOŚ.

<b>No</b>	<b>Company</b>	<b>Foundation/organisation supported</b>	<b>Gross amount</b>
1.	BOŚ Bank	Bank Ochrony Środowiska Foundation (4 tranches)	1,550,000
2.	BOŚ Bank	Bank Ochrony Środowiska Foundation – ‘Help Ukraine’ campaign, which involved doubling the contributions made by Bank employees.	55,287
3.	BOŚ Bank	Saint Nicholas Foundation – donation as part of the Idea-Business-Climate 2021 conference	15,000
4.	BOŚ Bank	Zwierzęca Polana Foundation – donation as part of the Idea-Business-Climate 2021 conference	15,000
5.	BOŚ Bank	Rehabilitation Centre for Protected Animals – donation as part of the Idea-Business-Climate 2021 conference	15,000
6.	BOŚ Bank	Warsaw Institute of Banking Foundation – Bakcyl project 2022	10,000
7.	BOŚ Bank	Fundacja im. 120-lecia towarzystwa opieki nad zwierzętami Foundation (PLN 1 per customer satisfaction survey completed)	2,363
8.	BOŚ Bank	Psierociniec Foundation (PLN 1 per customer satisfaction survey completed)	1,633
9.	BOŚ Bank	Primum Foundation for the protection of wild animals (PLN 1 per customer satisfaction survey completed)	1,696
10.	BOŚ Bank	Albatross Foundation – wild bird rehabilitation centre (PLN 1 per customer satisfaction survey completed)	1,798
11.	BOŚ Bank	Zwierzęca Polana Foundation – donation as part of the Idea-Business-Climate 2022 conference	15,000
12.	BOŚ Bank	Saint Nicholas Foundation – donation as part of the Idea-Business-Climate 2022 conference	15,000
13.	BOŚ Bank	Wspólnota Polska Association – "It's worth being Polish" project	18,000
14.	BOŚ Bank	Foundation for the Development of the School of Justice – funding of two scholarships	9,500
15.	DM BOŚ	Bank Ochrony Środowiska Foundation	400,000
16.	DM BOŚ	Caritas Polska	130,000
17.	DM BOŚ	Polish Red Cross	15,000
18.	DM BOŚ	Polish Humanitarian Action	15,000
19.	DM BOŚ	SOS Food Bank in Warsaw	17,000
20.	DM BOŚ	Homo Faber Association	15,000
21.	DM BOŚ	‘Zdążyć z Pomocą’ Foundation for Children	24,000
22.	DM BOŚ	Avalon Foundation – Direct Assistance for the Disabled	14,000
23.	DM BOŚ	Pożywienie – Darem Serca Foundation	10,000
24.	DM BOŚ	Robinson Crusoe Foundation	15,000
25.	DM BOŚ	‘Serce dla Maluszka’ Foundation	8,000
26.	DM BOŚ	Little Prince Hospice for Children in Lublin	15,000

27.	DM BOŚ	St. Padre Pio Hospice in Puck	15,000
28.	DM BOŚ	Warsaw Hospice for Children Foundation	15,000
29.	DM BOŚ	'Tour de Fundacja – akcja charytatywna' Foundation	10,000

The Bank was also involved as a sponsor or partner in social, educational and environmental campaigns and events:

No	Company	Event	Gross amount
1.	BOŚ Bank	Christmas Charity Concert as part of the "#12HoursForLife" campaign – Fundacja dla Transplantacji Zostaw Serce na Ziemi	61,500
2.	BOŚ Bank	Our Future Forum Conference, 4th edition – Our Future Foundation	15,000
3.	BOŚ Bank	'Anti-smog guide for homeowners' film project – Association of Manufacturers and Importers of Heating Equipment	10,500
4.	BOŚ Bank	7th edition of the Patria Nostra Historical Competition	5,000

In 2022, the BOŚ Group spent a total of PLN 493,277 (BOŚ DM PLN 318,000, Bank PLN 175,277) on charitable activities.

Additionally, PLN 1,950,000 was allocated to support activities outlined in the Articles of Association of the BOŚ Foundation (Bank PLN 1,550,000, BOŚ DM PLN 400,000). The Bank allocated PLN 92,000 towards sponsorship activities.

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**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 2022**

In fulfilment of the obligations arising under Section 27 of the *‘Principles of Corporate Governance for Supervised Institutions’* and 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 2022 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. Application by Bank Ochrony Środowiska S.A. of 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.

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 reads 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](http://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**

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.

In 2022, the Bank revised its statement by issuing a current report on June 30th 2022. Subsequently, after adopting further regulations, the statement was published on January 18th 2023, through the EBI system and made available on the Bank's website.

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 1.4.2. 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
- 2) 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.
- 3) 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 1.4.2., 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](http://www.bosbank.pl) in the 'Investor Relations' section, 'Corporate Governance' tab.

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 2022 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 2022 and the Directors' Report on the operations of Bank Ochrony Środowiska S.A. in 2022.

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 2022 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 2022, 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.

The Supervisory Board also addresses corporate governance matters that encompass regular reports on the implementation of the ESG Strategy. This includes updates on the achieved ESG rating and plans for its improvement.

The assessment did not reveal any non-compliance with the Corporate Governance Principles as adopted for application by Bank Ochrony Środowiska S.A. in 2022. 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.

### **Assessment**

**of the performance by the Management Board of the disclosure obligations referred to in Art. 380<sup>1</sup> of the Commercial Companies Code and assessment of the manner in which the Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested under the procedure set forth in Art. 382.4 of the Commercial Companies Code.**

As required by the provisions of Art. 382.3<sup>1.3</sup> and 382.3<sup>1.4</sup> of the Commercial Companies Code, the Supervisory Board presents the assessment of the performance by the Management Board of the disclosure obligations referred to in Art. 380<sup>1</sup> of the Commercial Companies Code and assessment of the manner in which the Management Board prepares or submits to the Supervisory Board information, documents, reports or explanations requested under the procedure set forth in Art. 382.4 of the Commercial Companies Code.

The reporting obligations of the Management Board stem from the amendments to the Commercial Companies Code that became effective on October 13th 2022.<sup>3</sup>

In accordance with Article 380<sup>1</sup> of the Commercial Code, the Management Board is obligated to promptly furnish the Supervisory Board with the following information:

- 1) Information on resolutions of the Management Board and their subject matter;
- 2) Information regarding the company's situation, including its assets, as well as significant developments related to the company's operations, investments, and personnel matters;
- 3) Information concerning the progress of the company's established business development directions, including any significant deviations from the previously set directions, along with justifications for these deviations;
- 4) Information on transactions and other events or circumstances that materially affect or may affect the company's assets, including its profitability or liquidity (the material is to be provided to the Supervisory Board immediately);
- 5) Information on any changes in issues that have been previously communicated to the Supervisory Board if such changes have or may have a material effect on the company's condition (the material is to be provided to the Supervisory Board immediately).

As a general rule, the information listed in items 1-3 above should be provided to the Supervisory Board at each meeting. However, the Supervisory Board may, by

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<sup>3</sup>Act of February 9th 2022 amending the Commercial Companies Code and certain other acts

means of an appropriate resolution, set other deadlines for providing the information, as permitted by Article 380<sup>1.3.1</sup> of the Commercial Companies Code.

The information mentioned in items 2-5 above is intended to be applicable, to the extent specified, to subsidiaries and affiliated companies within the Group as well.

During its meeting on November 23rd 2022, the Bank's Supervisory Board received information from the Management Board regarding the amendments to the Commercial Companies Code and the resulting obligations of the Management Board towards the Supervisory Board as imposed by this legislation.

During the same meeting, the Supervisory Board, taking into account the information presented by the Management Board:

- 1) approved the monthly schedule for fulfilling the reporting obligations by the Management Board with respect to:
  - Information on resolutions of the Management Board and their subject matter (Art. 380<sup>1.1.1</sup> of the Commercial Companies Code);
  - Information regarding the Bank's situation, including its assets, as well as significant developments related to the Bank's operations, investments, and personnel matters (Art. 380<sup>1.1.2</sup> of the Commercial Companies Code);
- 2) Upon reasoned request from the Bank's Management Board, and in accordance with Art. 380<sup>1.3.1</sup> of the Commercial Companies Code, the Supervisory Board approved the quarterly schedule of reporting by the Management Board of:
  - Periodic information on the cash flow statement and changes in equity, once the information has been prepared for the purposes of periodic financial statements (considered by the Management Board to be part of the information regarding the company's situation, including its assets, as well as significant developments related to the company's operations, investments, and personnel matters) – Art. 380<sup>1.1.2</sup> of the Commercial Companies Code with regard to the Company's assets;
  - Periodic information on progress in the implementation of the Bank's Development Strategy (considered by the Management Board to be information on the progress of the Bank's established business development directions) – Article 380<sup>1.1.3</sup> of the Commercial Companies Code.;
- 3) Acknowledged the commitment of the Management Board to promptly report to the Supervisory Board:
  - Information on transactions and other events or circumstances which have or may have a material effect on the Bank's assets, profitability or liquidity (Art. 380<sup>1.1.4</sup> of the Commercial Companies Code);
  - Information on any changes in issues that have been previously communicated to the Supervisory Board if such changes have or may have a material effect on the Bank's condition (Art. 380<sup>1.1.5</sup> of the Commercial Companies Code);

As a result of the analysis of the materials submitted at the Supervisory Board meetings and the information provided to the Supervisory Board by email, the Supervisory Board concludes as follows:

- During each meeting of the Supervisory Board, the Management Board furnishes the Supervisory Board with information concerning the resolutions that have been adopted and their subject matter;
- During each meeting of the Supervisory Board, the Management Board furnishes the Supervisory Board with information on the Bank's financial performance (monthly data), along with an assessment of the progress in implementing the Financial Plan, the Group Recovery Plan, and lending activities. Additionally, the Management Board provides description and commentary on the Bank's current situation, ongoing projects, and activities, as well as information on the performance of the Group's subsidiaries;
- During each meeting of the Supervisory Board, the Management Board furnishes the Supervisory Board with updates on significant developments that have taken place between meetings, including information on important matters, particularly those related to the operational, investment, and personnel areas. Where applicable, the furnished information also covers the Group subsidiaries;
- On a quarterly basis, the Management Board provides the Supervisory Board with periodic information on the progress made in implementing the Bank's Development Strategy (considered by the Management Board to be information on the progress of the Bank's established business development directions) as well as periodic information on the cash flow statement and changes in equity, once the information has been prepared for the purposes of periodic financial statements;
- The Management Board promptly communicates any information that requires immediate reporting to the Supervisory Board, primarily through email. This includes, but is not limited to:
  - Content of released current reports;
  - Correspondence between the Management Board and supervisory authorities, notably the Financial Supervision Authority;
  - Information required to be reported under Art. 380<sup>1.5</sup> of the Commercial Companies Code, i.e. information on any changes in matters that have been previously communicated to the Supervisory Board if such changes have or may have a material effect on the company's condition.

To date, no transactions referred to in Article 380<sup>1.4</sup> of the Commercial Companies Code or other events or circumstances that would require to be promptly reported to the Supervisory Board and that could materially affect the Bank's financial position, including its profitability or liquidity, have occurred.

The Supervisory Board also confirms that the Bank's Management Board fulfils its obligation to prepare and provide the Supervisory Board with requested information, documents, reports, or clarifications as mandated by Article 382.4 of the Commercial Companies Code. In the fourth quarter of 2022, as per the request of the Supervisory Board, the Bank's Management Board presented supplementary materials pertaining to the Bank's standing. These materials included in particular:



- 1) Document 'BOŚ marketing activities in 2022 with costs and efficiency analysis'.
- 2) Summary of contracts in various areas such as Communications, PR, Marketing, ESG, Social Media, and more, covering the past 24 months.
- 3) Summary of HR contracts over the past 24 months, including details on the budget allocated for employee training.
- 4) Summary of contracts with external consultants in 2021-2022.
- 5) Information on cost of development programmes related to the implementation of the Bank's ESG Strategy in 2022.
- 6) Information on salaries after the pay increases implemented since October 1st 2022.
- 7) Study 'The impact of EU systematics regulations on the Bank's portfolio of green loans'.
- 8) Information regarding the implementation of measures to align impairment models with the new definition of default, in accordance with the recommendations of the Auditor. This included details on the necessary resources required to achieve this objective, the associated risks, and the strategies employed to mitigate those risks.
- 9) Information on the portfolio of clients at risk of being adversely affected by the energy crisis.

Based on the information presented, the Bank's Supervisory Board reaches the conclusion that the Management Board of Bank Ochrony Środowiska S.A. adequately fulfils its obligations regarding disclosure to the Supervisory Board as stipulated in Article 380<sup>1</sup> of the Commercial Companies Code. Furthermore, the Management Board demonstrates timely preparation and submission of requested information, documents, reports, or explanations as required by Article 382.4 of the Commercial Companies Code.

Appendix 6  
to the Report on the activities  
of the Supervisory Board of Bank Ochrony Środowiska S.A. for 2022

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 2022 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'.

The diversity policy pertaining to the Bank's Supervisory Board and Management Board is outlined in the following documents:

- Diversity policy for members of the Supervisory Board of Bank Ochrony Środowiska S.A. – adopted by the General Meeting;
- Diversity Policy for members of the Management Board of Bank Ochrony Środowiska S.A. – adopted by the Supervisory Board.

The Policies were implemented following a positive recommendation from the Remuneration and Nominations Committee of the Supervisory Board.

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 Policies aim to:

- Promote diversity in appointing members of the Bank's governing bodies;
- Support the pursuit of the Bank's strategic objectives by ensuring diversity among members of the governing bodies,

- Ensure that members of the Bank's Supervisory Board and Management Board represent a broad spectrum of characteristics and competencies, such as diverse skills, educational background, professional experience, knowledge, gender and age.

When deciding on the appointment of members of the governing bodies, the General Meeting/Supervisory Board seeks to ensure a diverse composition of the governing bodies 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 governing bodies may not compromise proper oversight/management of the Bank. The policies are pursued in accordance with the provisions of the Bank's regulations on assessing suitability of candidates/members of the Bank's Supervisory Board/Management Board as well as the relevant resolutions of the General Meeting of Bank Ochrony Środowiska S.A. specifying the procedures and principles for the appointment and dismissal of members of the Bank's governing bodies.

#### **Implementation of the diversity policy at the Management Board:**

- 1) In 2022, there were changes in the composition of the Management Board that impacted the diversity indicator. Specifically, on May 23rd 2022, Ms Marzena Koczut resigned from her position as Vice President of the Management Board, which subsequently affected the percentage share of women on the Management Board of BOŚ S.A.

#### **Gender matrix:**

	number of members	number of women	proportion of women
until May 23rd 2022	5	1	20%
after May 23rd 2022	4	0	0%

#### **Age matrix:**

	number of members	age	
		up to 50 years	over 50 years
until May 23rd 2022	5	3	2
after May 23rd 2022	4	3	1

- 2) Members of the Management Board are appointed and dismissed by the Supervisory Board taking into account the requirements set forth in the Banking Law. The President of the Management Board and the Vice President responsible for managing risks that are significant to the Bank's operations are appointed with the approval of the Financial Supervision Authority.

The Supervisory Board appoints members of the Management Board from a pool of candidates who have been selected based on the qualification procedure, undergone the suitability assessment procedure, and received a positive recommendation from the Remuneration and Nominations Committee.

Highly qualified individuals are appointed to the Bank's Management Board. The fulfillment of suitability criteria by individuals serving on the Management Board is reviewed on an annual basis as part of the secondary assessment of individual suitability and collective suitability of the Management Board as a collegial body.

All members of the Management Board exhibit adequate experience and expertise to effectively oversee their respective areas of responsibility and ensure proper management of the Bank.

### **Education matrix:**

	educational background						
	environment protection	law	banking and finance	international relations	science	management	economics
until May 23rd 2022	-	-	3	-	2	-	-
from May 23rd to November 23rd 2022	-	-	2		2	-	-
after November 23rd 2022	-	-	3		1	-	-

Members of the Management Board enhanced their education through additional qualifications and certifications obtained from various courses, postgraduate studies, and specialised training programmes, primarily focused on finance. Each member of the Management Board has extensive professional experience in their respective fields.

### **Implementation of the diversity policy at the Supervisory Board:**

- 1) In 2022, there were changes in the composition of the Supervisory Board, which had an impact on the diversity index. Specifically,
  - on June 30th 2022, the existing term of office of the Supervisory Board expired, coinciding with the date of the Annual General Meeting of BOŚ S.A. The General Meeting appointed the Supervisory Board for the new, 12th term, consisting of nine people, including three women and six men.
  - Effective December 10th 2022, Ms Janina Goss resigned from the Bank's Supervisory Board, which affected the percentage share of women on the Supervisory Board.

### **Gender matrix:**

	number of members	number of women	proportion of women
in the first half of 2022	10	1	10%
from June 30th to December 10th 2022	9	3	30%
from December 10th to December 31st 2022	8	2	25%

### **Age matrix:**

	number of members	age	
		up to 50 years	over 50 years
in the first half of 2022	10	3	7
from June 30th to December 10th 2022	9	4	5
from December 10th to December 31st 2022	8	4	4

2) Members of the Supervisory Board are appointed by the General Meeting through a secret ballot, with consideration given to the requirements specified in the Banking Law, the Policy for the assessment of the suitability of candidates for members of the Supervisory Board, the resolutions of the General Meeting of Bank Ochrony Środowiska S.A. regarding the introduction of the Rules of Procedure for General Meetings, as well as the appointment and dismissal of members of the Supervisory Board. These factors collectively influence the appointment process.

The current composition of the Supervisory Board reflects a diverse range of knowledge, expertise, and experience that has been evaluated in accordance with the Suitability Assessment Policy. (...) The fulfillment of suitability criteria by individuals serving on the Supervisory Board is reviewed on an annual basis as part of the secondary assessment of individual suitability and collective suitability of the Supervisory Board as a collegial body.

Highly qualified individuals are appointed to the Bank's Supervisory Board. All members of the Supervisory Board exhibit adequate experience and expertise to effectively oversee the Bank.

### **Education matrix:**

	educational background						
	environment protection	law	banking and finance	international relations	science	management	economics
in the first half of 2022	2	3	1	1	1	1	1
from June 30th to December 10th 2022	2	4	1	-	1	-	1
from December 10th to December 31st 2022	2	3	1	-	1	-	1

Members of the Supervisory Board enhanced their education through additional qualifications and certifications obtained from various courses, postgraduate studies, and specialised training programmes, primarily focused on areas such as management, accounting, law, information technology, and other relevant fields. Furthermore, some members may possess specific professional certifications, such as those of legal counsel. Each member of the Supervisory Board has extensive professional experience.

### **Summary:**

In 2022, 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.

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.