

Enclosure with the Resolution of the Supervisory Board
of 11 March 2022

**Report on the evaluation of the remuneration policy
at ING Bank Śląski S.A. for 2021**

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

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

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

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

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

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

1. The remuneration policy is based on performance management, and it:
 - 1) supports delivery of the business strategy and long-term interests of the Bank and its clients,
 - 2) supports proper and effective risk management in order to maintain and protect the sound capital base of the Bank; the Policy does not promote excessive risk taking beyond the risk appetite approved by the Supervisory Board of ING Bank Śląski S.A.,
 - 3) it is gender neutral, which means that it does not create conditions for any gender to be favoured in an unjustified manner with regard to employment, career development, promotions, as well as awarding and paying remuneration.



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

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

II. REMUNERATION COMPONENTS

1. The total remuneration is divided into fixed and variable remuneration.



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

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

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

The most important ones include:

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



III. SUPERVISION OVER REMUNERATION POLICY

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

IV. REPORT ON THE EVALUATION OF THE REMUNERATION POLICY AT THE BANK IN 2021

1. The remuneration policy at the Bank complies with the Bank's strategy, values and risk appetite, as well as it supports the long-term interests of the Bank and its clients. Furthermore, it promotes and supports the process of effective risk management in order to maintain and protect the sound capital base of the Bank. It does not promote excessive risk-taking behaviour that is beyond the risk propensity accepted by the Supervisory Board of the Bank and it is based on performance management, combining individual goals with the long-term business strategy and ensuring sustainable growth.
2. In 2021, the goals of the remuneration policy remained unchanged vis-à-vis the previous year. ING Bank Śląski S.A. continued its remuneration policy whose aim is to effectively support the strategic goals and systematically mark the pays to the market.

As a standard, the remunerations of the ING Bank Śląski S.A. employees were reviewed vis-à-vis the market, based on the Hay Group company reports. The Autumn edition of the salary review showed that the remuneration at the Bank remained on the market level. The results of the review were presented to the Remuneration and Nomination Committee. Based on these data, in 2021 the standard pay rise exercise was not carried out, however, individual changes in remuneration took place, resulting from the planned promotions and extensions of employment contracts.



3. 2021 was another year of functioning of the annual Step Up goals settlement system, which combines job performance assessment, creation of a solid corporate culture and our ambitions. The job performance assessment is directly translated into the bonus pay-out for employees. In keeping with the General Conditions of ING Bank Śląski S.A. Employee Evaluation (Step Up), the Bank Management Board, in consultation with the Supervisory Board, determined the amount of the employee variable remuneration pool. Based on the determined amount, the Management Board decided to apply a bonus potential adjustment ratio of 0.9, which as a result decreased the bonus by 10%. Application of the adjustment ratio depended on factors such as the Bank's economic situation, risk levels and market conditions, including global circumstances.

In February 2021, we paid out bonus to Bank employees from the specific provision.

In March 2021, the bonus for Identified Staff was settled in accordance with the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*:

- a) variable remuneration for 2020 was set and the non-deferred portion of the bonus was awarded,
- b) following a positive verification of the assessment with consideration of ex-post risk and capital test, the Bank awarded the relevant portions of deferred variable remuneration for 2017 and 2018.

The terms and conditions of variable remuneration disbursement were satisfied. The Remuneration and Nomination Committee gave positive advice and, in consequence, the nondeferred 2020 bonus and the deferred bonuses for 2017 and 2018 were paid out to the persons, whose positions have impact on the Bank's risk profile. Thus, the 2017 bonus was settled in total. Similarly to other employees, a bonus potential adjustment ratio of 0.9 was also applied to the variable remuneration for Identified Staff, which as a result decreased the bonus by 10%.

4. 2021 was another year of the Covid-19 pandemic. At the beginning of the year, a new model of life insurance was introduced. This benefit provides for partial payment of the insurance premium by the Bank. With the premium paid by the employer, the employees were entitled to use the "Pandemic under control" insurance for the whole year. The insurance covered preventive assistance for the quarantine period and Covid-19 posthospitalisation assistance. Employees can still use other insurance options under the offer paid on their own, which was expanded with the module offer enabling employees to choose their preferred insurance.

Taking into account the challenges of the last two years and increased effort put into work during the pandemic, the Bank Management Board decided to pay an additional financial bonus to all employees in December 2021. This bonus was paid to all employees employed under an employment contract as at 15 December 2021.

5. Having regard to the changes in the model of work, as well as increased remote work resulting from the pandemic restrictions, the Bank took actions aimed at preparing the organisation to implement the hybrid model of work. According to the assumptions, this model will be an ultimate model of work applicable at the Bank. To this end, the Bank Management Board decided to provide the employees with a one-off support to organise their home offices, by paying out an adaptation compensation. The compensation was paid to all employees employed under an employment contract as at 31 December 2021. The following persons were excluded from the pay-out: persons on maternity leaves, parental leaves, childcare leaves and unpaid leaves (including sabbatical), as well as persons with whom we terminated cooperation. Persons returning to work after a long-term absence and persons employed in 2022 will receive the compensation calculated proportionally, as of the month of their return to work or employment. Verification of the entitled persons and pay-out of the compensation will take place after the end of the given quarter.



6. As part of the annual regulatory review, the remuneration policy was amended with new provisions stemming from Recommendation Z and the Code of Best Practice for WSE Listed Companies 2021. The new provisions refer to determining the ratio of average gross total annual remuneration of individual Bank Management Board Members, which should not exceed 40-times the remunerations of other employees. This relation will be analysed annually as part of the remuneration policy review. Furthermore, the Policy was also amended with new provisions concerning monitoring of women and men pay equality as part of the annual review of remuneration. The amendments came into force as of the beginning of 2022.

Based on the regulations on monitoring of the women and men pay equality ratio, the data as at 31 December 2021 were analysed, and the ratio was reported to the Polish Financial Supervision Authority in keeping with the Banking Law. The analysis showed that the relation of remuneration of men and women at ING Bank Śląski S.A. in 2021 stood at 99%.

The ratio was calculated for the total remuneration of the Bank employees as at 31 December 2021. The method applied was an average of remuneration, weighted with the number of men and women in individual employee pay grades. Other assumptions applied in the calculation include: converting remuneration of part-time employees to remuneration of full-time employees, adjustment of remuneration of employees, who were not employed for the entire 2021 to the total remuneration for the whole year.

7. In 2021, the Remuneration and Nomination Committee of ING Bank Śląski S.A. held 11 regular meetings and 5 by way of circulation.
8. From 22 July to 30 July 2021, the Internal Audit Department conducted the Audit of the process of remuneration of persons, who have material impact on the risk profile of ING Bank Śląski S.A. The audit sought to assess the design and operating effectiveness of key internal controls in the process of remuneration of persons, who have material impact on the risk profile at the Bank.

The audit confirmed that the process of determination and pay-out of variable remuneration to persons, who have material impact on the risk profile at the Bank was correctly designed, implemented and is supervised and monitored by the Supervisory Board, supported by the Remuneration and Nomination Committee, to encourage care for long-term and stable development of the Bank.

The audit did not identify any material risks in the audited areas and thus confirmed the adequacy and effectiveness of the control mechanisms for the Identified Staff remuneration process.

From 11 October 2021 to 18 November 2021, the Bank underwent an inspection carried out by the Polish Financial Supervision Authority, as part of the Authority's regulatory supervision. The inspection referred to the internal control system, including the applicable principles of remuneration for the Supervisory Board and Management Board Members, as well as persons, whose professional activities are considered to have a material impact on the Bank's risk profile. In the inspection summary, the Polish Financial Supervision Authority raised a question of lack of deferral of the variable remuneration, when its amount did not exceed PLN 40 thousand, in 2019 and 2020. The Bank submitted its reservations to the findings of the Polish Financial Supervision Authority and at the moment we are awaiting a response from the PFSA.

The Supervisory Board are of the view that in 2021 the Bank respected the principles of its remuneration policy.

