**A DESCRIPTION OF THE CONFLICTS OF INTEREST POLICY AT ING BANK ŚLĄSKI S.A.**

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## 1. Purpose

The system of conflicts of interest management is an element of the Bank's corporate governance. *The Conflicts of Interest Policy* at ING Bank Śląski S.A. (*Policy*) sets out the principles and requirements to ensure the highest ethical standards and compliance with applicable laws and regulations.

Integrity is a core value of the Bank and is the foundation on which the Bank's activities and the conduct of its employees are based. The Bank's stated ethical principles oblige employees to act with integrity, honesty and in line with best practices in the financial sector.

*The Policy* also sets standards for measures to reduce the risk of conflict of interest, covering both preventive and mitigating actions.

*The Policy* has been implemented in accordance with the Bank's three lines of defence model defined in the *Operational Risk Management Policy at ING Bank Śląski S.A.*

**Definition of the conflict of interest**

**A conflict of interest** is a set of circumstances where an employee's ability to exercise judgment or act in the best interests of the Bank or its customers is or may be impaired by other interests (e.g. personal interest).

A conflict of interest may arise in any situation where a Bank employee uses his/her position for their own or other gain. Benefits include personal interests and any other actions or situations that may lead to a conflict of interest.

## 2. Types of conflicts of interest

The requirements of *the Policy* refer to different categories of conflicts of interest. Their breakdown allows for the appropriate application of mitigation measures and the monitoring of their effectiveness.

**Types of conflicts of interest:**

By materiality of occurrence:

- **Actual conflict of interest** occurs when a conflict of interest has actually occurred;
- **Potential conflict of interest** is a circumstance that does not create a conflict of interest at the moment, but could lead to a conflict of interest in the future;
- **Apparent conflict of interest** refers to a situation in which a conflict of interest does not exist, but circumstances make it likely to be so perceived by outsiders.

Furthermore, conflicts of interest are divided into:

- **Organisational conflicts of interest** - arise from inappropriately designed procedures, management structures, organisational arrangements, subordination relationships or information flows, including between the Bank and other ING Group entities.

Organisational conflicts of interest may relate to conflicting interests:

- ✓ Within the ING Bank Śląski S.A. Group;
  - Between or within ING Bank Śląski S.A. Group business areas, business lines, departments, teams or other organisational units;
  - Between the Bank and the Management Board of the Bank or within the Management Board of the Bank;
  - Between the Bank and the Supervisory Board or within the Supervisory Board;
  - Between decision-making and supervisory bodies;
- ✓ Between ING Group entities;
- ✓ Between the Bank and/or employees and customers (as a result of the commercial model or the various services offered by the Bank and its activities);
- ✓ Between the Bank and/or employees and external stakeholders (other than customers, including material suppliers or business partners);
- ✓ Between the Bank and a shareholder;
- ✓ Within an employee's position/function/role;
- ✓ Between the employee's position/function/role and any role performed on behalf of ING;
- ✓ Between the employee's personal interests and his/her position/function within the Bank;
- ✓ Between the interests of ING Bank Śląski S.A. Group entities and the private interests of employees, including members of Bank bodies.

- **Personal conflicts of interest** - arise when an employee's personal interests or relationships, e.g. with a family member, may conflict with the interests of the Bank or its clients.

**CONFLICTS OF INTEREST REGISTER**

In order to properly manage the risk of conflicts of interest, the Bank maintains registers of actual and potential conflicts. These registers contain information on the products and services that may be affected by a conflict of interest, as well as on the measures implemented to mitigate the risk of such conflicts. The registers are reviewed and updated at least once a year, and the results of this process are subsequently submitted for approval to the appropriate Bank authority.

## 3. Conflict of interest management principles

As part of *the Policy*, the Bank has set out basic principles for managing conflicts of interest. These will include:

- **Disclosure**: any conflict of interest must be promptly disclosed and recorded once identified, both by the Bank and by the employee who has become aware of the situation.
- **Need-to-know principle**: confidential information must only be shared with those to whom it is necessary for the performance of their duties.
- **Unbiased voting**: employees should refrain from making decisions on matters in which they could benefit or in which their objectivity would be compromised.
- **Independence of judgement**: The Bank protects the independence and impartiality of functions defined as independent by law and regulation (second and third lines of defence).
- **Time commitment**: employees devote sufficient time to their work and are able to duly discharge their duties, defend the interests of the organisation and act objectively and impartially.

## 4. Requirements for managing conflicts of interest

*The Policy* introduces four key requirements that apply to areas with a higher risk of conflict of interest arising from legislation and market best practice.

**Requirement 1 - Procedures and organisational arrangements**

The Bank has internal procedures and organisational arrangements in place to reliably identify, assess and record conflicts of interest and effectively mitigate their risks.

The Bank ensures a transparent organisational structure, clearly defined employee roles and responsibilities and appropriate reporting rules.

**Requirement 2 - Responsibilities of employees**

Employees are obliged to identify and promptly disclose any circumstances that may lead to or give rise to a conflict of interest. Any instance, whether potential or actual, must be reported and recorded.

Employees are required to refrain from acting in situations where their impartiality or independence could be compromised. All are expected to be guided by integrity, common sense and discretion, as well as knowledge of the principles of conflicts of interest management.

**Requirement 3 - Remuneration and incentive strategies**

Remuneration policies and incentive strategies are designed to ensure that employees act in the best interests of the Bank's clients. The remuneration system is based on a balanced approach, taking into account both quantitative and qualitative performance indicators. The Bank ensures that no elements of the remuneration framework, sales targets, or performance appraisals mechanism encourage employees to act against the interests of the client or impair their independence.

**Requirement 4 - Related party transactions**

The Bank carries out transactions and financial services with related parties in an independent and transparent manner. All such activities take place on an arm's length basis so as not to favour any party and to protect the interests of customers and other stakeholders.

**Specific guidelines for members of the Bank authorities**

The Bank has detailed guidelines for members of the Bank's Supervisory Board and Management Board, which set out the principles for managing and resolving conflicts of interest. The guidelines concerning the management of conflicts of interest and the duties of the members of the Bank's Management Board and Supervisory Board are regulated in the *ING Bank Śląski S.A. Management Board Bylaw* and in the *ING Bank Śląski S.A. Supervisory Board Bylaw*. The regulations contain provisions concerning members of the Bank's bodies, which aim to safeguard the best interests of the Bank, including ensuring the independence of mind and impartiality of the members of these bodies.

If a member of the Bank's Management Board or Supervisory Board identifies a material conflict of interest, such conflict shall be reported to the Bank's competent decision-making body in accordance with the above-mentioned Regulations, *the Policy* and *Procedure for assessing the suitability of members of the Supervisory Board, members of the Bank's Management Board and the Audit Committee at ING Bank Śląski S.A.* If it is determined that a premise for a reassessment to verify the fulfilment of the adequacy condition by a member of the Bank's Management Board or Supervisory Board with respect to an identified actual conflict of interest has occurred, further proceedings shall be carried out according to the principles set out in the above-referred Procedure.

## 5. Measures to mitigate the risk of conflict of interest

To mitigate the risk of conflict of interest, the Bank applies preventive and mitigating measures. These are aimed at both preventing conflicts from arising and minimising their effects if they do arise.

**Preventive measures** include:

- Establishing information barriers to safeguard confidential information;

- Developing procedures or other regulations specifying the actions to be taken in the event of a (potential) Conflict of Interest in specific situations or processes;
- Introducing segregation of duties for employees (or groups of employees) and/or decision-making bodies with conflicting interests in the business;
- Conducting a conflict of interest assessment for transactions with clients within ING Group entities;
- Establishing appropriate measures, proportionate to the business and product and service offering, to prevent conflicts of interest from adversely affecting client interests;
- Preventing undue influence by employees who hold an outside position to the extent related to that activity within the Bank;
- Establishing adequate procedures for transactions with related parties under the conditions of a possible conflict of interest. The procedures provide for ways to identify, disclose and manage such situations.

In exceptional circumstances where it is not possible to sufficiently mitigate conflicts of interest or where, despite all efforts, they cannot be avoided, you should:

- Decline to act (e.g. do not enter into a business relationship);
- Disclose the conflict of interest before entering into a business relationship, or any commitment (e.g. with a client, supplier) to the extent required by applicable law, and subsequently proceed in consultation with the parties concerned.

**Restrictive actions** include, but are not limited to:

- Entrusting conflicting activities or transactions to different persons;
- Establishing an obligation for members of the Bank's management to abstain from participating in discussions and voting on matters where the member has or may have a conflict of interest or where the member's objectivity or ability to properly discharge his or her duties to the Bank may otherwise be compromised;
- Excluding one or more employees from some team activities, e.g. due to an employee's personal interest;
- Executing control mechanisms and other mitigating measures described to reduce conflict of interest risk as defined in the Bank's regulations.