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1. Purpose

The system of conflict of interest management is an element of the Bank's corporate governance. The purpose of the *Conflicts of Interest Policy at ING Bank Śląski S.A.* (the *Policy*) is to identify and assess the actual- and potential conflicts of interest, to manage and prevent the conflicts of interests which may arise between the interests of the Bank and the private interests of the employees, including the members of the Bank's senior management and Supervisory Board, interests of the clients, shareholders, material suppliers and business partners and between the Bank's clients.

The *Policy* describes the requirements and applicable rules to identify, assess, manage, mitigate, and prevent conflicts of interest, and also to ensure proper procedure within the scope arising from access to confidential information and inside information. Furthermore, the said *Policy* establishes physical-, technical- and/or functional information barriers to secure access to inside information and to mitigate and prevent risks of conflicts of interest. The *Policy* describes the control objectives to mitigate the inherent critical- and high risks related to conflicts of interest and misuse of confidential- and inside information.

The *Policy* also sets out standards for the proper governance structure, protecting confidential information and inside information from misuse, the isolation of physical-, technical- and/or functional information barriers to control confidential information, inside information. Furthermore, it introduces requirements that include conflict of interest identification, assessment, management and mitigation or prevention.

Definition of the conflict of interest

A **Conflict of Interest** is a set of circumstances that creates a risk that an individual's ability to apply judgement or act in the best interest of client and/or company is, or could be, impaired, which implies a threat to impartiality and independence in that relationship and choosing that individual's needs over the needs of the other party.

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

2. Role of the individual bodies in the conflict of interest management process

- a. The **Bank Senior Management** (the Bank Senior Management within the meaning of the ING Bank Śląski S.A. Organisational Bylaw includes the members of the Bank Management Board and managers) are responsible for establishing, approving, overseeing the implementation and maintaining effective rules in order to identify, assess, manage, mitigate or prevent conflicts of interest at the organisational level, while having regard to:

- the various roles and activities of the Bank;
- the various business lines within the Bank;
- other ING Group Entities; and
- external stakeholders.

The Bank Senior Management are also responsible for:

- the implementation, execution and supervision of the *Policy*;
 - monitoring, periodic review and addressing any weaknesses identified in regard to the implementation of processes, strategies and regulations related to the *Policy*;
 - fostering an open organisational culture for employees to discuss possible dilemmas and/or violations of the rules described in the *Policy*;
 - setting the appropriate tone at the top and ensuring that all managers in their unit comply with and understand the principles arising from the *Policy* in the same way;
 - ensuring that procedures are implemented to prevent any employee or the Bank business units from the inappropriate use of confidential- and/or inside information, including the foreseeable appearance thereof;
 - performing key control testing to ensure compliance with the *Policy*.
- b. The **Compliance Unit** is responsible for:
- providing advice to the Bank Senior Management on the implementation and embedding of the *Policy* in the organisation;
 - providing advice to employees on the interpretation of the *Policy*;
 - assessing and (dis)approving the validity of the permanent insider status as determined by the Bank Senior Management as well as the monitoring of the permanent insider status;
 - second-line monitoring of the *Policy* implementation and conduct of the Bank employees as required by the *Policy*.

3. Areas relating to the conflict of interest

There are two types of conflicts of interest identified in the *Policy*:

- conflicts of interest relating to organisational conduct, and
- conflicts of interest relating to employees conduct.

A) Requirements regarding conflicts of interest relating to organisational conduct

The *Policy* presents examples of potential organisational conflicts of interest relating to organisational conduct:

1. Organisational conflicts of interest within the Bank or between the Bank and ING Group Entities:

- Internal organisational conflicts that arise from the nature of the activities of different units of the Bank: department, team, decision-making body, supervisory body, or any other unit;
- Conflicts between the interests of two or more ING Group Entities, departments, teams, decision-making bodies, supervisory bodies or other such organisational units;
- Conflicting interests caused by the inappropriate segregation of duties or failure to segregate functions performed by an employee or related person at all levels of the Bank's organisational structure;
- Conflicts of interest arising from the relationship of subordination and information flow between the Bank and ING Group Entities, in particular its parent company and/or subsidiaries including but not limited to: the structure of employment, hiring policies, independence of funding sources, independence in the decision-making process regarding the selection of a supplier/contractor, marketability of transactions with related entities (on the arm's length basis), mechanisms for the flow of confidential information, functions in the supervisory bodies of other companies of ING Group Entities;
- The design of processes involving the delegation of activities in a way which does not ensure independence of decisions made by the Bank; identical business activities conducted by the Bank and an ING Group Entity that may lead to offering products or providing services to clients on unfavourable terms and conditions.

2. Organisational conflicts of interest involving clients

- The interests of the Bank are in conflict with the interests of clients due to the products and/or services provided in a manner other than in the normal course of business;
- Employees' interests (financial or other) conflict with those of clients as a result of the Bank's policies, procedures, governance structures, ways of working or other practices;
- Conflicts between the interests of two or more clients.

3. Organisational conflicts of interest regarding external stakeholders

- Conflicts between the Bank's interests and third parties other than clients, including among others vendors, suppliers, consultants and/or professional advisors;
- Conflicts between the interests of the Bank and a public official or public organisation that may influence the Bank's activities (e.g. a public official may influence decisions on the processing of a licence application);

- Conflicts between the interests of related parties and the interests of the Bank or its shareholders;
- Conflicts between the interests of employees and the interests of (shareholders of) ING Bank N.V.;
- Conflict between the Bank's interests and the interests of another entity (an ING Group Entity or a non-affiliate entity where the employee has an external function (e.g. management or supervisory directorship) on behalf of the Bank;
- Conflict arising when the Bank, as policyholder in a given insurance contract, acts as insurance intermediary for the same contract.

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.

The Bank, in connection with the admission of its shares to trading on a regulated market and its operations in a member state, has in place a *Procedure for Identifying Material Transactions with Related Parties*, which prevents related parties from taking advantage of the Bank's position and ensures that both the Bank's interests and those of its stakeholders are adequately protected.

B) Requirements applicable to conflicts of interest relating to employee conduct

The *Policy* specifies the requirements and methodology for managing conflicts of interest that may arise between the interest of the Bank or a client and the private interest of employees, the Bank Senior Management included.

Outside interests include economic interests of employees, personal- or professional links with holders of significant shareholdings in the Bank, personal- or professional links with employees of ING Bank Śląski S.A. Group entities, an outside position in commercial-, non-commercial or political organisations; previous employment in non-affiliate entities (within the last 5 years); economic interests, employment, business activity, political role or other interests of closely associated persons.

The Bank Senior Management are responsible for establishing, approving and overseeing the implementation and maintenance of effective policies to identify, assess, manage and mitigate and/or prevent conflicts between the interests of the Bank and the private interests of employees, including members of the Bank Senior Management, which could adversely influence the performance of the duties and responsibilities of all Bank employees. The Bank Senior Management also set out procedures, measures and responsibilities for the identification and prevention of conflict of interest, for the assessment of their materiality and for taking mitigating measures.

Such procedures, measures, requirements, and responsibilities include:

- a. entrusting conflicting activities or transactions to different persons;
- b. preventing undue influence by employees who hold an outside position to the extent related to that activity within the Bank;
- c. establishing information barriers to safeguard inside information;
- d. establishing the responsibility of the Bank Senior Management members to abstain from voting on any matter where a member has or may have a conflict of interest or where the member's objectivity or ability to properly fulfil duties to the Bank may be otherwise compromised;
- e. 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;
- f. preventing the Bank Senior Management members from holding directorships in competing organizations, unless those functions relate to institutions described in Regulation (EU) No 575/2013.

The Bank identifies conflicts of interest of employees, including the interests of the closely associated persons and related persons, assesses whether being a shareholder of an entity or having private accounts or loans with or using other services of an entity does not lead to a situation where employees are considered to have a conflict of interest.

Conflict of interest may arise not only from present- but also from past personal- or professional relationships.

4. Conflict of interest identification and management

In order to manage conflicts of interest, mitigate their consequences or prevent them, the Bank employees identify the conflicts of interest and take adequate measures if they arise.

Each department must identify and assess potential conflicts of interest that may arise in the provision of financial services and related activities. The Bank undertakes adequate measures to prevent a negative impact of the conflict of interest on the interests of the Bank clients. Where the available measures are insufficient to ensure that the interests of the client will not be adversely affected, the Bank shall disclose the nature and/or source of the conflict to the client before signing the agreement to provide services for that client. The path of procedure shall be first consulted with the representatives of the Compliance Unit and of the Legal Department. If adequate measures are not available to ensure reliable client service, the Bank shall inform the client of declining to take next steps or not entering into a business relation.

Measures taken by the Bank to manage or, where appropriate, mitigate and/or prevent conflicts of interest are documented and include:

- a. an appropriate segregation of duties;
- b. establishing information barriers;
- c. preventing undue influence on activities within the Bank due to employees' outside interests;
- d. establishing appropriate procedures (including proper registration) for transactions with related parties;
- e. ensuring that the residual risk related to individual- and collective structural conflicts of interest falls within the risk appetite and does not exceed the average level;
- f. ensuring that actions and decisions are not influenced by the personal interests of employees, closely associated persons or interests of ING Group entities and are in all circumstances aimed at protecting the interests of the Bank and its stakeholders (including clients).

5. Management, mitigation or prevention of conflict of interest

The Bank's employees shall promptly report conflicts resulting from past relationships to the Compliance Unit and/or the Bank Senior Management, on the basis that these may still have an impact on the employees' behaviour and decisions.

Where conflicts of interest arise, the Bank shall assess their materiality and decide on and implement appropriate mitigating measures.

CONFLICT OF INTEREST REGISTER

The Bank keeps records of actual- and potential conflicts of interest broken down into:

- Register of Structural Conflicts of Interest which concerns the organisational conduct;
- Register of Incidental Conflicts of Interest which refers to persons, events or transactions.

In the registers, the Bank records information on the products and services that may be affected by the resulting conflict of interest and on the remedies applied to mitigate the conflict of interest risk. The Compliance Unit is responsible for keeping the registers for the Bank. The registers shall be reviewed and updated at least once a year. Next, they shall be submitted to the Non-Financial Risk Committee for assessment and discussion of the conflicts of interest, the associated risks, and the measures that have been implemented to mitigate them. Based on the information received, the Non-Financial Risk Committee may recommend next steps, including but not limited to preparing further explanations, conducting an additional risk assessment or implementing additional remedial measures.

6. Requirements regarding the reporting and disclosing of conflicts of interest

The Bank Senior Management shall set out processes for reporting and communication of the rules implemented in the Policy.

Employees have the duty to notify and promptly disclose all circumstances that may result, or actually result, in a conflict of interest. Employees must disclose any event that may be a potential- or actual conflict of interest in the manner provided for reporting internal events.

If the event is identified as a conflict of interest, the decision taken regarding the conflict of interest, in particular the acceptance of the conflict of interest and the associated risks, is properly documented. The documentation shall take into account how this conflict of interest has been mitigated or remedied.

All actual- and potential conflicts of interest at the Bank Senior Management level, individually and collectively, shall be adequately documented, communicated to the next higher-level Senior Management, and discussed, decided on and duly managed by the next higher-level Senior Management.