

**Extract - Report on non-financial**

**information of ING Bank Śląski S.A.**

**Group in 2020**

(Covering non-financial information of ING Bank Śląski S.A.)



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The Management Board of ING Bank Śląski S.A hereby presents Report on non-financial information of the ING Bank Śląski S.A.Capital Group in 2020, including non-financial information of ING Bank Śląski S.A. as per Articles 49b and 55 of the Accounting Act (Journal of Laws 1994.121.591 as amended).

## Approach to reporting

The selection and description of policies as well as performance indicators was made based on our own materiality criterion, taking into account internal and external factors related to the operations of the ING Bank Śląski Capital Group. The indicators used are own indicators calculated on the basis of data available in the Capital Group. The report meets the requirements of Articles 49b and 55 of the Accounting Act (Journal of Laws 1994.121.591 as amended).

Due to the integrated approach to reporting, an additional description of non-financial information that goes beyond the scope of the Report is included in the Management Board's Report on the Operations of the ING Bank Śląski S.A.Capital Group. in 2020. In the Management Board's Report on the operations of the ING Bank Śląski S.A.Capital Group in 2020, non-financial information is reported in accordance with the GRI Standards standard.

## ING Bank Śląski



We are a universal bank that has been on the market for 30 years. We are constantly developing. We create value, both in financial and non-financial terms. We contribute to the development of the economy but we are aware that we also affect employees, society and the environment.

We started our activity on the Polish banking market 31 years ago, i.e. in 1989. We enjoy the position of one of the largest all-round banks in Poland. We render services to both retail clients and business entities.

As at 2020 yearend, we operated through 290 branches and 63 ING Express points. These are meeting places where our clients can ask for advice and talk. We provide our clients with modern online and mobile banking systems so that they can quickly and independently manage their finances.

Our organisation has two main locations – in Warsaw and in Katowice. This is where we take the most important decisions concerning the operations of our Bank. The Management Board is seated there as well. ING Bank Śląski S.A. is formally registered in Katowice. As at the end of December 2020, as a Group we employed over 8 000 people.

We are inspiring and empowering our clients to make accurate financial decisions. We provide them with tools to make banking easy, transparent and available 24/7. Delivery of our strategy is supported by our strong brand.

Bank shares have been quoted on the Warsaw Stock Exchange since 1994. Since the very index formation (September 2013), we have been among the WIG30 companies. We are the only company from the finance sector which has been uninterruptedly present (for all its rounds) in the Respect Index (the index of most socially responsible WSE companies), which was replaced in September 2019 by the WIG-ESG index, to which we also belong.

## How does ING Group operate in Poland

ING Bank Śląski S.A. is a parent entity of the ING Bank Śląski S.A. Group. As a Group, for 30 business years, we have managed to establish our position among the top financial institutions in Poland. We form the Group together with the subsidiaries, where we operate in the area of:

- leasing,
- factoring,
- financial advisory and intermediary services,
- payroll and accounting services.

The Group members are also the founders of ING for Children Foundation and ING Polish Art Foundation.

In 2020, the Bank and its subsidiaries did not conclude any transactions with related entities that would be individually or jointly significant and concluded other than on the arm's length basis.

ING Bank Śląski performs operations with ING Bank NV and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The bank also maintains bank accounts of entities from the ING Group. All of the above transactions are carried out on an arm's length basis.

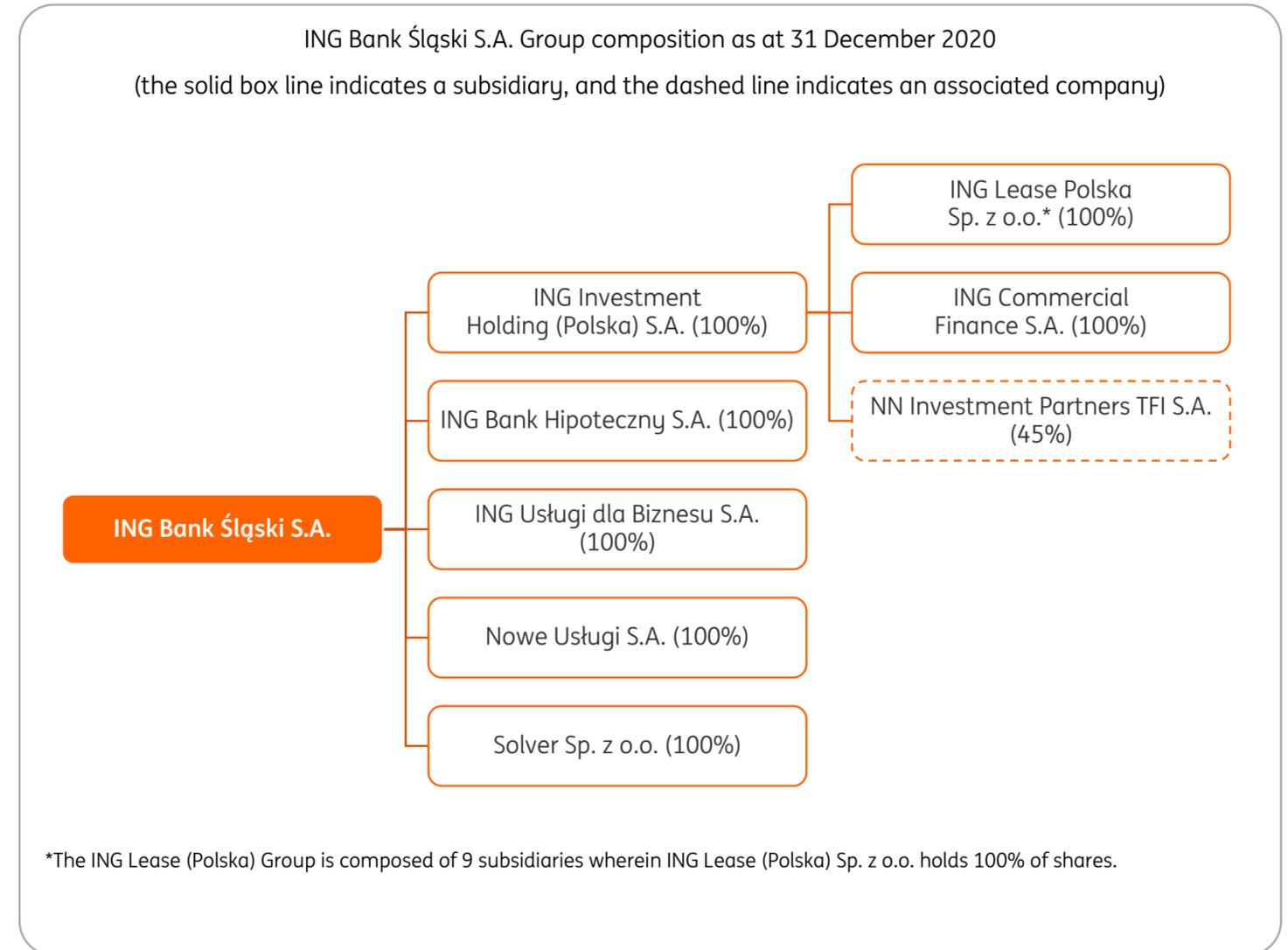
Operating costs incurred by the Bank for the parent entity result primarily from contracts for the provision of consultancy and advisory services, data processing and analysis, provision of software licenses and IT support. In

terms of costs incurred by the Bank for other related entities, outsourcing agreements play a dominant role regarding the provision of system resource hosting services for various applications, leasing of IT equipment, monitoring the availability and performance of applications and IT infrastructure as well as penetration testing and IT security monitoring. You can read more about transactions with related entities in the “Related entities” note in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

### Changes to Group structure

In Q2 2020, the shares in Twisto Polska Sp. z o.o. were reclassified from an associated entity to a minority capital investment.

### ING Bank Śląski S.A. Group composition



Subsidiaries are consolidated by our bank using the full method, and the associated company (NN Investment Partners TFI SA) is consolidated using the equity method. In addition to its subsidiaries and associates, the Bank has minority capital investments, including in the following companies:

- Biuro Informacji Kredytowej S.A. (9.0% of shares),
- Krajowa Izba Rozliczeniowa SA (5.7% of shares),
- Polski Standard Płatności Sp. z o.o. (14.3% of shares),

- Twisto Polska Sp. z o.o. (19.4% of shares),
- Voom Sp. z o.o. (8.1%; through ING Investment Holding (Polska)).

### **ING Investment Holding (Polska) S.A.**

ING Investment Holding (Polska) S.A. is a holding company. Through that company, the Bank holds shares in three companies: ING Lease (Poland) (100%), ING Commercial Finance (100%) and NN IP TFI (45%).

### **ING Lease (Polska) Sp. z o.o.**

ING Lease (Polska) has been present in the market since 1995. Since 2012, it has been a member of the ING Bank Śląski S.A. Group. ING Lease (Polska) offers all basic types of lease and a cash loan which can be used to finance both movables (passenger cars, light-duty vehicles, heavy transport means, machinery and equipment, medical and IT equipment) and immovables. The ING Lease (Polska) Group is composed of 9 subsidiaries wherein ING Lease (Polska) Sp. z o.o. holds 100% of shares. The company services are targeted at all market segments: large, medium and small enterprises as well as micro clients (entrepreneurs).

In 2020, the company's new lease production amounted to over PLN 3.8 billion (-24% y/y). as at 2020 yearend, the company was servicing almost 34 thousand clients (increase by 13% y/y), and the value of the portfolio remains at a high level of PLN 10 billion (based on management accounting data).

### **ING Commercial Finance S.A.**

ING Commercial Finance offers factoring products. The company was incorporated in 1994 under the name of Handlowy Heller. Upon its incorporation into ING Group, since 2006 the company has been operative under the name of ING Commercial Finance. Since 2012, it has been the member of the ING Bank Śląski S.A. Group – like ING Lease (Polska).

As per the Polish Factors Association's data, in 2020, ING Commercial Finance was the third biggest factoring company in Poland. In 2020, the turnover of ING Commercial Finance totalled PLN 37.0 billion (up 4% y/y), which accounted for 12.7% of the market turnover. In 2020, the Company served 5.5 thousand clients (up by 16% y/y) and purchased 3.2 million invoices (down by 4% y/y).

### **ING Bank Hipoteczny S.A.**

The main purpose of the operation of ING Bank Hipoteczny, which started operating in 2019, is the issue of long-term mortgage bonds with the underlying instruments being debt claims under the mortgage-backed loans acquired from ING Bank Śląski S.A. or other banks.

The set goal may be achieved through:

- strengthening of funding stability in the ING Bank Śląski Group,
- diversification of funding sources for the current retail mortgage portfolio,
- adjusting maturity structure of assets and liabilities in the balance sheet
- releasing liquidity of the ING Bank Śląski Group,
- lowering the cost of financing the conducted lending activity in the part of the loan portfolio financed with other long-term instruments.

So far, ING Bank Hipoteczny carried out the inaugural issue of 5-year “green” mortgage bonds for PLN 400 million. The funds obtained from the issue will be used to refinance mortgage loans in PLN for natural persons, secured with mortgage belonging to 15% of the most energy-efficient buildings in Poland. In 2020, due to the market situation caused by the COVID-19 pandemic, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of existing sources of financing, it established a bond issue program, under which it issued the first short-term debt securities.

### **ING Usługi dla Biznesu S.A.**

Since 2013, the Company has been offering innovative business services beyond traditional banking. Expanding its business activities into new market segments, in 2019 the company entered for the first time into the market of services for individual clients.

ING Usługi dla Biznesu operates in the following business areas:

- online database of companies (registry data, financial data) and business purchase platform – ALEO,
- platform for invoicing and managing payments for entrepreneurs and accountancy and payroll services for companies keeping full accounting records – ING Accounting,
- platform and business process robotisation services – Roboplatform,

- My Services platform for the execution of micro payments by individual customers.

### Nowe Usługi S.A.

Nowe Usługi S.A. conducts educational and marketing activities. In the field of education, it runs the website [Edukacjagieldowa.pl](http://Edukacjagieldowa.pl). This is a website about investing and the stock market, both for debuting and fully-fledged investors. The knowledge database and investment-related materials are published on an ongoing basis on the website.

Marketing activity centres around popularisation of ING Turbo certificates on the Polish market. The instruments are issued by ING Bank N.V. Amsterdam and quoted at the Warsaw Stock Exchange. The main activities of the company are the organisation of marketing campaigns, ING Turbo helpline service or technical support while running the [ingturbo.pl](http://ingturbo.pl) website.

### Solver Sp. z o.o.

The Solver company was established on 21 May 1996 in order to conduct business activities on behalf of the ING Children Foundation.

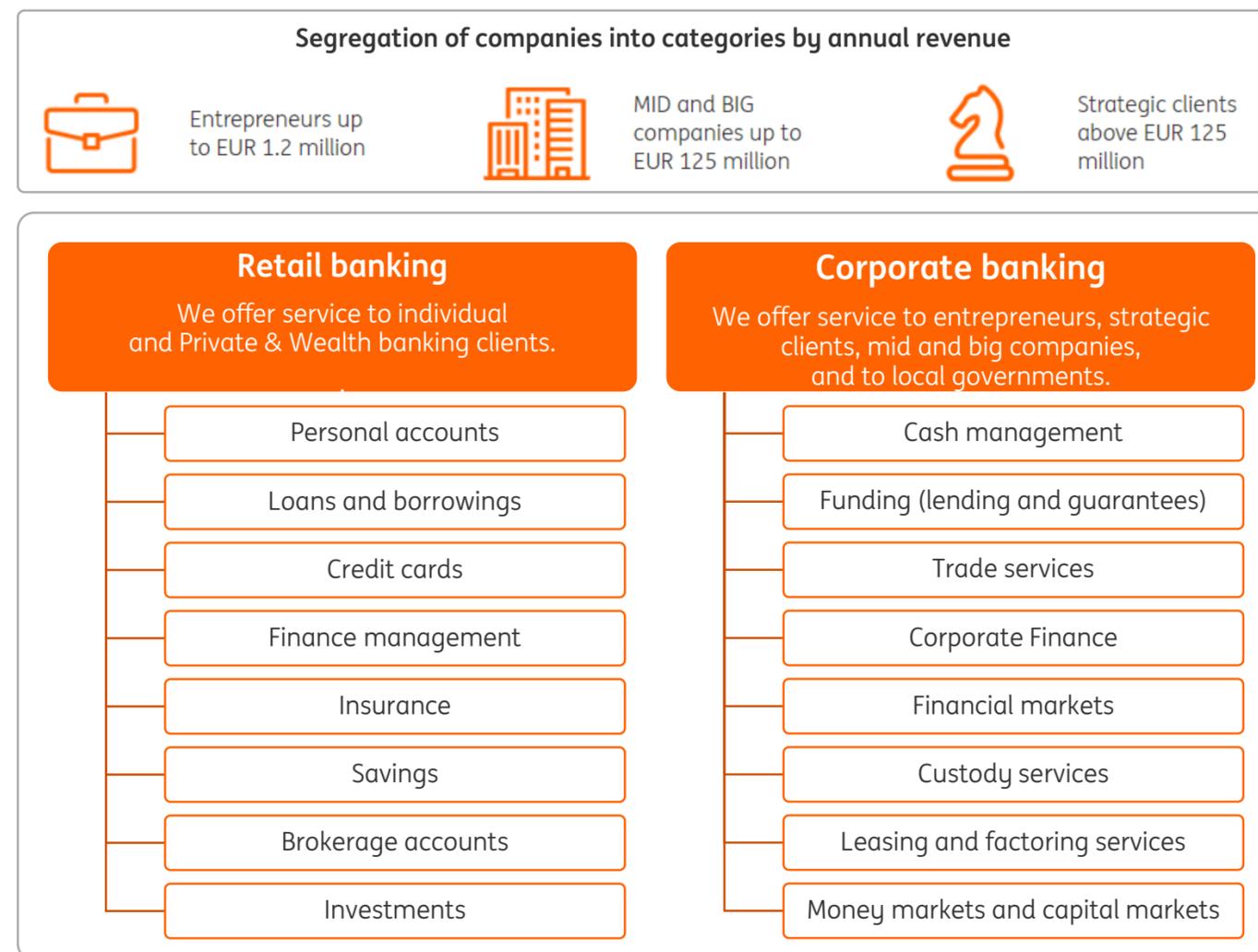
The company runs a business activity consisting in organizing holidays for employees and their families and pensioners of ING Bank Śląski SA. This activity is carried out in the Pan Tadeusz Training and Recreational Centre in Krynica.

### NN Investment Partners TFI S.A.

NN Investment Partners TFI S.A. has been present in Poland since 1997. It is the second largest TFI on the Polish market, managing PLN 21.3 billion (data from IZFiA as at 2020 yearend) allocated to funds and portfolios for a wide audience. It supports over 626 thousand clients by offering them a wide range of investment products. NN Investment Partners TFI SA is part of the international NN Group. It successfully combines global and local expertise to provide clients with investment solutions of the highest quality.

### Offered products

We are one of the largest universal banks in Poland. We have a strong position on the core markets of banking services (loans and deposits) and banking-related services (leasing and factoring). We pursue our business based on two segments – retail banking and corporate banking. As at the end of 2019, we served 4.50 million clients.



## Our business model

We are a universal bank and along with other companies in the group we provide services to both individual clients and corporate clients.

Effective functioning of our business model relies on a group of over 8 thousand staff members. What we value is motivation, diversified experience, seniority and abundant knowledge. We base our work on our code of ethics – Orange Code or a set of ING Conduct and Values.

We are aware that we impact multiple economic processes and individual choices and it is up to our decisions what the world will look like and what reality will be there for the next generations. That is why in our business and non-business decisions we follow the principles of sustainable development.

As a public trust institution, we are aware of the importance of stability and an effective risk management system for the banking sector and the entire economy. In our bank, the system is constructed in compliance with best market standards on the basis of three lines of defence with the first line managing business, the second line managing risk and finances and the third line comprises internal audit. We also care for optimum management of the asset and liability structure of our balance sheet in line with our risk appetite limits.

Our mission is to **support and inspire people to be one step ahead in life and business**. In everybody's life, roles in the society change: from a child, to student, parent, business person, bank employee, our vendor or employee of another company until retirees. This is a certain trip during which clients will make various important private and business choices. We, as a Bank, help them in taking the best financial decisions for them. That is why we share knowledge and provide tools to our clients as well as solutions that are simple, useful and suited to their needs. We make them better understand their own financial situation.

Our role is to provide opportunities for secure and effective savings. Deposits placed by certain clients fund loans granted to other clients which support the development of the society and economy alike. The financing granted supports purchases of housing, opening business activity or development of companies.



We take care that our payment and transactional systems are effective. And now – in view of the growing popularity of non-cash transactions – an efficient electronic payment system becomes increasingly important. We provide our clients with transactional banking, we process transfers, card, telephone or BLIK payments and we keep developing a network of devices for non-cash payments.

We offer our clients banking products and services (such as loans or savings accounts and transfers) as well as those that are unrelated to traditionally understood banking. Our competencies support us in building a positive client experience. We also use big data and artificial intelligence and cooperate with fintechs to reach beyond. Those are not solely insurance products, accounting services or investment products. We offer our clients a broad range of tools for financial management.

## Map od stakeholders



All groups of our stakeholders are important from the perspective of the business strategy, sustainable development strategy, direct and indirect influence of the organisation. We give the most important topics a strategic dimension. Thanks to this, we can implement them efficiently and quickly. Our stakeholders were identified during the preparation of the CSR report for 2011-2012. Since that time no changes have been made to the identification of

stakeholders and at the workshop with employees in 2019 we decided that no changes were necessary in our map of stakeholders.

Communication with the environment is a key element of our core business. It is also a natural consequence of the Bank's social activity and the important role we play in local communities. In our dialogue with stakeholders we apply both highly parametrised tools (satisfaction surveys, audits) and daily contacts.

## Clients

Clients are one of the most important groups of our stakeholders, because without them our organisation would not exist. Their opinions and needs are extremely important to us, which is why we collect them on an ongoing basis, analyse and try to implement them in our products and services (the so-called client voice). Satisfaction surveys and other surveys such as Mystery Shopper, NPS or FCR are conducted quarterly or annually. Our clients can contact us through various communication channels.

## Investors, analysts and rating agencies

We care for equal treatment of all shareholders and attach importance to broad access to information and effective communication with capital market participants. We maintain constant contact and organize quarterly meetings with the management board on the occasion of the publication of financial results. More information about our bank's investor relations is available on [our website](#).

## Media

We contact the media, including by answering questions on an ongoing basis, distributing press releases and initiating meetings. More information about the press office is available on [our website](#).

## Employees

We learn the opinions and assessments of employees, among others through an annual alternation of Organisation Health Survey (OHI) and Pulse Check. On the intranet, employees discuss through the community and blog with the president. We also organize anonymous chats with board members, where each employee can ask a question that is answered each time. The interests of employees and their rights are represented by employee organisations – the works council and trade unions. The works council provides information and consults on the most important issues for employees.

## ING volunteers

Communication with ING Volunteers is very important to us. Daily we use all tools available at the Bank – Intranet, communities, Dobry Pomysł [Good Idea] platform. We conduct a survey once a year. Every year, the ING for Children Foundation organizes training courses for volunteers at the centre in Wisła. Ongoing dialogue is an element which enhances the employees' commitment to local projects and actions. In 2020, most of the training and communication took place online.

## Non-governmental organisations

Communication with non-governmental organisations is very important to us. We contact them on an ongoing basis using a variety of tools. We invite you to meetings, enter into partnerships, and engage in joint initiatives. Additionally, every year we make financial and in-kind charitable donations to non-governmental organisations.

## Academic environment

The academic community, especially students, is a very important stakeholder for us. We organize meetings with students and participate in initiatives organized for them. Every year, we also organize an Internship with Lion aimed at students who want to develop their career in banking. We are present at universities, among others, by our Ambassadors among students.

## Vendors

Vendor cooperation is assessed once a year. From 2018, we introduced additional extended surveys in the area of social responsibility.

## Key non financial performance indicators

| ING Bank Śląski S.A.                            |            |            |            |            |
|---|------------|------------|------------|------------|
|   | 2017       | 2018       | 2019       | 2020       |
| Number of clients (thousand)                    | 4,590      | 4,860      | 4,504      | 4,720      |
| Number of employees (persons)                   | 7,661      | 7,665      | 7,690      | 8,053      |
| The ratio of basic salaries of women to men (%) | 97%        | 99%        | 98%        | 100%       |
| Employee turnover ratio                         | 8,2%       | 6,9%       | 7,3%       | 6,2%       |
| Electric energy usage (kWh)*                    | 31,530,936 | 30,558,890 | 31,920,924 | 27,666,453 |
| Water consumption (m <sup>3</sup> )*            | 55,541     | 57,130     | 58,284     | 65,693     |

| ING Banku Śląskiego S.A. Capital Group          |            |            |            |            |
|---|------------|------------|------------|------------|
|   | 2017       | 2018       | 2019       | 2020       |
| Number of clients (thousand)                    | 4,590      | 4,860      | 4,504      | 4,720      |
| Number of employees (persons)                   | 8,032      | 8,086      | 8,135      | 8,507      |
| The ratio of basic salaries of women to men (%) | 99%        | 99%        | 100%       | 102%       |
| Employee turnover ratio                         | 8,2%       | 7,0%       | 7,2%       | 6,3%       |
| Electric energy usage (kWh)*                    | 31,530,936 | 30,558,890 | 31,920,924 | 27,666,453 |
| Water consumption (m <sup>3</sup> )*            | 55,541     | 57,130     | 58,284     | 65,693     |

\* Due to the fact that the subsidiaries of the Capital Group rent office space from ING Bank Śląski S.A. and pay the rental fee, which includes a flat-rate media fee, it is not possible to extract data by Bank and Capital Group. This is due to the lack of separate meters on the rented areas. Whenever possible, we will try to extract as much data as possible by Bank and Capital Group.

## Sustainable development strategy “Our Responsibility”

Today, it is up to our decisions and actions what the world will look like and what world will be available to the next generations. The mission of ING Bank Śląski is to support our clients to be one step ahead in life and business. Each of us is part of smaller and larger families, groups and communities. That is why we work for the common good. We understand them as a sense of community, respect for each other and for nature. We are united by the conviction that we must act TOGETHER – for clients, for society – in our bank.

We see our responsibility in three priorities related to our business: #ING for entrepreneurship ING for equal opportunities #ING for climate. Additionally, we have determined that our responsibility is:

- supporting clients in financial management so that they can do their thing,
- building openness and providing equal opportunities,
- fighting the climate crisis.



The entire Sustainable Development Strategy for 2020 can be found at [this link](#).

A summary of the implementation of the strategy for 2020 is available at [this link](#).

Due to the ongoing pandemic, we had to achieve some goals in remote or hybrid mode, and some were replaced by other activities. We also carried out a number of activities that were not included in the strategy, but were related to the prevention of the pandemic.

In 2021, we will continue our activities within the same three priorities, but by setting new goals and measures of success for the next year.

## Applied policies related to non financial issues and due diligence procedures

### Social area-related policies

In our social activities, we mainly focus on financial education and support for entrepreneurship, as well as on actions for equal opportunities. We pursue goals related to those activities under the *Sustainability Strategy* in the area of #ING for entrepreneurship oraz #ING for equal opportunities. In the area of #ING for entrepreneurship we provide access to financial education to people who want to learn, to both children and adults. We have been increasing the number of beneficiaries of financial education activities and programmes. In the area of #ING for equal opportunities we remove barriers to access our services. We develop standards and tools that enhance the scope of simple communication. Bank also supports employee initiatives (volunteering, charity collections) and is involved as a social partner in national and local projects.

In the social area we are active ourselves and through two corporate foundations: ING for Children Foundation and ING Polish Art Foundation.

Since 2007 employees of the ING Group may use formal and legal solutions provided for the *Labour-By Laws* that facilitate voluntary activity. We warrant our employees 8 hours of work which they can use for voluntary activity. Volunteers carry out undertakings for schools, kindergartens, NGOs, and hospitals. They teach basics of finance and entrepreneurship. Together with kids, they refurbish, read, play sports or partake in blood donation initiatives and charity runs. Before Christmas, they prepare Christmas parcels for children at hospitals, community youth centres and children's homes. Since 2006, employees of ING Group have been participating in the Good Idea voluntary competition. They can win there the subsidies for a voluntary project from ING for Children Foundation. In 2020, the ING Children Foundation granted funding for 74 projects for local communities, associations, foundations and schools for a total amount of PLN 416,945. Not all projects were completed in 2020 due to pandemic constraints. When face-to-face meetings with children were not possible, ING volunteers went online. E-volunteering is individual tutoring and thematic meetings for groups. Children, together with volunteers, e.g. learned to cook or participated in environmental competitions. In total, in 2020, volunteers conducted various activities for 1,822 children. We receive many sponsorship offers and proposals, as well as donation requests. The Bank has the *Charitable Donations Policy at ING Bank Śląski*. This Policy sets out the principles of awarding and transferring charity donations. In 2020, ING Bank Śląski gave financial and material charitable donations.

The bank provided financial donations in the amount of PLN 5,549,600. Donations were made on the basis of the Donation Policy of ING Bank Śląski S.A. which was updated in 2019. The policy defines the goals that the bank supports as part of donations in selected areas of social investment:

- activities for children and youth, including leisure for children and youth,,
- science, higher education, education, and upbringing (especially in the area of financial education),
- health care and prevention,
- financial support in the event of special incidents in which an employee or member (members) of his family has suffered.

ING Lease sp. z o.o. has its own policy of donations. Other companies do not have their own policies of donations in place. Nonetheless, if needed, donations are made pursuant to resolutions of the management board. We also have the *Sponsorship Policy at ING Bank Śląski*, which is further supplemented with detailed provisions of the Principles of Sponsorship at ING Bank Śląski.

In 2019 ING Bank Śląski S.A. was involved in sponsorship activities targeted at entrepreneurs, young people, activities related to ecology, electromobility, as well as SME owners and management. They were designed to empower and motivate people to stay a step ahead in life and in business. The ING Group companies do not have their own sponsoring policies in place.

### Effects of applying policies

#### Policy deliverables of social area-related policies

|  | 2017  | 2018  | 2019  | 2020  |
|--|-------|-------|-------|-------|
| <b>Number of hours used for volunteering</b> |       |       |       |       |
| Bank   | 4 929 | 5 221 | 7 176 | 1 072 |
| Group  | 5 041 | 5 301 | 7 283 | 1 072 |

### Employee issues related policies

The Group has 8,000 employees. To ensure that we are legally-compliant in business, we apply numerous documents which govern employee aspects.

The Labour By-Laws of ING Bank Śląski S.A. which define the organisational framework and workflow, as well as the related rights and obligations of the employer and employee is the key document. Their provisions apply to all employees, regardless of their position, type, and work time regime, or the term of the contract of employment. The remuneration policy is the Remuneration Policy in the ING Bank Śląski S.A. Capital Group. This policy sets out key assumptions for shaping the remuneration policy used to attract and retain employees by ensuring a competitive market level of remuneration and defines the components of remuneration. The remuneration policy applies to all employees of the ING Bank Śląski S.A. Capital Group, excluding members of the Management Board of ING Bank Śląski S.A., for which the Regulations for the remuneration of members of the Management Board of ING Bank Śląski S.A. apply. In relation to members of the Supervisory Board of ING Bank Śląski S.A. the principles described in the Remuneration Policy for Members of the Supervisory Board of ING Bank Śląski S.A. apply introduced by the Resolution of the Ordinary General Meeting of ING Bank Śląski S.A. The Management Board of ING Bank Śląski S.A. ensures the development, implementation and updating of the Remuneration Policy and ensures consistency of remuneration regulations within the Capital Group ING Bank Śląski S.A. and the Management Boards of the entities of the ING Bank Śląski S.A. Capital Group ensure their implementation and updating in individual entities. The Work Regulations also supplement the Regulations of the annual talk process of ING Bank Śląski S.A. and Bonus Regulations for employees of ING Bank Śląski S.A.

At the Bank, we have more favourable solutions concerning occasional leaves than provided for in the Regulation of the Minister for Labour and Social Policy of 15 May 1996 on the manner of explaining one's absence from work and granting employees the leaves of absence. Further, parents with disabled children are eligible for extra 5 days off during the calendar year. All entities of the Capital Group have separate regulations adapted to the organizational needs of individual companies, which remain consistent with the banking regulations.

We build an environment in which all employees have equal opportunities. As part of the package of benefits for people with disabilities, which supports employees and their families, we can find monthly, permanent allowances introduced from 2019, financed by the Company Social Benefits Fund for employees with a certificate of moderate or severe disability and bringing up children with a disability certificate. Supporting the caregivers of relatives with a moderate or severe degree of disability, we offer the possibility of taking advantage of an additional 2 days off when caring for a spouse / partner, parents, parents-in-law or grandparents. In the case of caring for a child with a certified disability degree, the employee may take advantage of an additional 5 days of care. Taking care of our employees with a certified mild degree of disability, we offer an additional 3 days off with the right to remuneration. The provisions of the Regulations are supplemented, among others, by The ING Diversity Declaration, which was adopted

in all units of the ING Group around the world, and the Diversity Policy, which defines the areas and defines the way of managing diversity in our bank. At ING, we believe that everyone has a huge potential that can be realized. However, we expect our employees to treat others with kindness and respect.

An important element in terms of employee issues is also the Orange Code applicable to all employees of the Group. It is a set of Values, or promises that we make to the world, and Behaviors, or commitments that - as colleagues - we make to each other.

On the basis of the Orange Code, we have introduced the Rules of Professional Ethics that apply to the conduct of bank employees in connection with the performance of official duties, but may also apply to private activities that may adversely affect the bank's reputation or cause a conflict of interest. The rules of professional ethics are also enforced at the level of subsidiaries.

Employee issues are also an element of the ING Bank Śląski S.A. Sustainable Development Strategy. Additionally, in the #ING priority for equal opportunities, we have included goals regarding employee well-being and promoting diversity.

If the entities of the Capital Group are not included in the common policies, separate regulations are in place in all entities of the Capital Group, adjusted to the organizational needs of individual companies, which are consistent with banking policies.

## Effects of applying policies

### Policy deliverables of employee issues-related policies

|  | 2017  | 2018  | 2019  | 2020  |
|--|-------|-------|-------|-------|
| <b>Headcount (persons)</b>                       |       |       |       |       |
| Bank   | 7 661 | 7 665 | 7 690 | 8 053 |
| Group  | 8 032 | 8 086 | 8 135 | 8 507 |
| <b>Ratio of basic salary of women to men (%)</b> |       |       |       |       |
| Bank   | 97%   | 99%   | 98%   | 100%  |
| Group  | 99%   | 99%   | 100%  | 102%  |
| <b>Employee turnover ratio (%)</b>               |       |       |       |       |
| Bank   | 8,2%  | 6,9%  | 7,3%  | 6,2%  |
| Group  | 8,2%  | 7,0%  | 7,2%  | 6,3%  |

## Natural environment related policies

Environmental protection and sustainable growth are an important factor of our long-term strategy. We are aware of the perils arising from the excessive usage of natural resources. We are trying to counteract climate changes. We know that each aspect of our business has an environmental impact. We deeply believe that caring about the environment is not only the good will. It is our duty and an inherent element of doing business. Therefore, we proactively support and promote solutions related to the environmental protection.

Towards the end of 2017 we announced the Green Statement in which, among others, we committed ourselves to support areas, such as:

- Projects on renewable energy sources executed by electric power groups,
- Projects supporting development of modern energy transmission and distribution infrastructure,
- ESCO projects consisting in offering complex energy-related solutions that contribute to energy savings,
- Projects supporting electromobility,
- Other projects aimed at preventing pollution and increasing recycling possibilities.

At the same time, we intend to increase our exposure to funding project related to green energy. We want to help clients in energy transformation and switching to low-emission business. In parallel, we internally pursue eco-friendly activities.

Our activities and goals concerning our environmental footprint are managed through ING Environmental Programme that has established the Environmental Management System (EMS). It provides for effective processes and continued improvement of our efficiency. Our goals for 2020 relating to the improvement of our ecological operational efficiency are:

- z reduce our total carbon footprint by 84% by 2020 compared to 2014. By 2020, we have reduced our total carbon footprint by 89%,
- reduce our water consumption by 20% by 2020 (compared to 2014). By 2020, we have reduced our water consumption by 9%. The goal could not be achieved due to numerous repairs and failures.
- use 100% energy from renewable sources. Since 2016, we have used 100% of green energy.
- recycle 100% of our waste. Currently, 100% of our waste is recycled.

In 2020, we set goals for further years of operation under the Environmental Programme:

- we will reduce our total CO2 emissions by 95% by the end of 2030 compared to 2014,
- we will reduce our electricity consumption by 50% by the end of 2030 compared to 2014 ,
- we will reduce our electricity consumption by 20% by the end of 2022 compared to 2014 ,
- we will continue to recycle 100% of our waste,
- we will continue to use 100% renewable energy.

As part of the new Sustainable Development Strategy, we have set the #ING direction for the climate, which is to help us implement the assumptions of the Green Statement and the ING Environmental Program. The strategy also supports additional activities such as ecoglycinic volunteering

General Principles of Environmental and Social Risk indicate business activities in which the Bank does not invest due to especially high risk of an adverse impact on the natural environment and the principles of sustainable development. We require that our clients to run their businesses in compliance with the regulations governing social and environmental issues and that they should have all permits and licences required under the law.

The General Principles are applied to clients to whom we offer lending products. We do not establish relations with clients whose core business activity is covered by the Policy of Exclusions.

Detailed policies concerning the natural environment relate to the following areas:

- Well-being of animals,
- Forestry and plantations,
- Industrial processing,
- Chemical industry and utilisation of chemicals,
- Hard coal mining, coal-fired power industry, and related businesses,
- Other mining and power industry, petrochemical industry and metal manufacturing.

Our actions comply with business ethics, and we strive for transparent relations with vendors. Our vendors undertake to abide by the Vendors Code of Conduct which promotes human rights, fair market practices, environmental protection, and counteracting corruption.

## Effects of applying policies

### Water consumption

| m <sup>3</sup>  | 2017   | 2018   | 2019   | 2020   |
|---|--------|--------|--------|--------|
| Water (the source of intake is municipal water supply system) | 55,541 | 57,130 | 58,284 | 65,693 |

The reason for the increase in water consumption were numerous failures and modernizations: renovation of the fire protection tank, repeated filling and checking, modernization of the sprinkler installation in Chorzowska, required multiple refilling, we built a rainwater tank in Sokolska in the summer, required tightness tests, failure of the sprinkler installation on Sokolska, pump failure hydrants on Sokolska, replacement of utility water risers on Sokolska, replacement of main valves chilled water on Sokolska street, renovation of the ice water collector on Sokolska street, modernization of the technological heat collector on Sokolska street, failure at the meeting point in Kielce, repairs in the headquarters and meeting places.

### Total weight of hazardous waste, broken down by the following disposal methods

| kg        | 2017   | 2018  | 2019  | 2020  |
|-----------|--------|-------|-------|-------|
| Recycling | 17,894 | 4,130 | 1,487 | 1,162 |

### Total weight of non-hazardous waste, broken down by the following disposal methods

| kg        | 2017    | 2018    | 2019    | 2020    |
|-----------|---------|---------|---------|---------|
| Recycling | 571,028 | 536,836 | 507,543 | 261,159 |

### Total weight of waste

| kg                                  | 2017           | 2018           | 2019           | 2020           |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Waste paper                         | 554,052        | 523,040        | 486,125        | 243,100        |
| Screens                             | 14,094         | 570            | 1,487          | 1,162          |
| Electronic equipment and bulk waste | 16,976         | 13,796         | 18,154         | 15,510         |
| Toners                              | 3,800          | 3,560          | 3,264          | 2,549          |
| <b>Total waste</b>                  | <b>588,922</b> | <b>540,966</b> | <b>509,030</b> | <b>262,321</b> |
| Waste to be recycled                | 585,390        | 540,966        | 509,030        | 262,321        |
| Waste not to be recycled            | 3,532          | 0              | 0              | 0              |

### Electric energy consumption

| kWh  | 2017       | 2018       | 2019       | 2020       |
|--|------------|------------|------------|------------|
| Electric energy                                  | 31,530,936 | 30,558,890 | 31,920,924 | 27,666,453 |
| The electricity we produce (photovoltaic panels) | -          | -          | -          | 43,270     |

The decrease in energy consumption was mainly due to the remote work of most employees due to the coronavirus epidemic.

### Emissions

| tony CO <sub>2</sub> | 2017  | 2018  | 2019  | 2020  |
|----------------------|-------|-------|-------|-------|
| Scope 1              | 462   | 385   | 271   | 203   |
| Scope 2              | 2,097 | 1,681 | 1,656 | 1,155 |
| Scope 3              | 3,906 | 3,955 | 1,341 | 828   |
| Total                | 6,465 | 6,021 | 3,268 | 2,186 |

Reported emissions have been calculated according to the GHG Protocol standard.

Due to the fact that the subsidiaries of the Capital Group rent office space from ING Bank Śląski S.A. and pay the rental fee, which includes a flat-rate media fee, it is not possible to extract data by Bank and Capital Group. This is due to the lack of separate meters on the rented areas. Whenever possible, we will try to extract as much data as possible by Bank and Capital Group.

## Human rights policies

Group activities affect diverse groups of stakeholders like clients, employees, and vendors. Representatives of each of these groups may and should expect fair treatment from us. In our business, we commit to respect and promote human rights with regard to all people we collaborate with.

The human rights-related aspects can be found in a few documents. For employees – the provisions of the Labour By-Laws of ING Bank Śląski S.A. are fundamental in this regard. They read that as the employer we undertake to respect the dignity and other personal rights of employees, abide by the principles of equal treatment, while establishing and terminating the employment relationship, in relation to terms of employment, promotion opportunities, or access to training. Further, we commit ourselves to counteracting mobbing. All entities of the Capital Group have separate

regulations adapted to the organizational needs of individual companies, which remain consistent with the banking regulations. In 2019 the Policy of Caring about Working Environment Free from Discrimination and Mobbing and the Procedure of Handling the Suspected Occurrence of Adverse Events came into effect. Additionally, each employee will be obliged to undergo e-learning course on “Work free from discrimination and mobbing”. The Procedure also lay down how to report (whistleblowing) the occurrence of events that may be improper and how verification of reports and explanatory proceedings look like.

The Labour By-Laws are completed by the provisions of the Orange Code, among other documents. In this paper, we clearly describe the values we believe in and the behaviours one can expect from us. The Orange Code promotes integrity, common sense and accountability, for example. . It is applied in many banking processes, e.g. in the employee performance evaluation (General Terms and Conditions of the Annual Performance Appraisal Interviews at ING Bank Śląski S.A. and General Terms and Conditions of Bonus Award to Employees of ING Bank Śląski S.A.). Further, it is an important element of the recruitment process and corporate culture. This also applies to employees of subsidiaries.

The Diversity Policy is another document which supports us in complying with and promoting human rights. The Policy is designed to build the awareness of the organisation in which the principles of equal treatment are applied, meaning no discrimination whatsoever, both directly and indirectly, because of: gender, age, disability, lifestyle, form, scope, and basis of employment, other cooperation types, as well as other triggers of discriminatory behaviours. Additionally, in January 2016 the Management Board of ING Bank Śląski adopted the ING Diversity Manifesto. Adoption of various perspectives is a driver of innovation, supports growth, adoption of proper decisions, and better performance delivery.

Through the *Manifesto* we want to express our openness and responsibility and knowingly affect mutual respect. We do care about creating a friendly workplace in which everyone can feel themselves. The *ING Diversity Manifesto* has been adopted by all ING Group entities worldwide. Employees may report all irregularities relating to violations of human rights using a special form, i.e. Whistleblowing. The form is anonymous and all Group employees can submit their reports. Reports are received by the Director of the Compliance Department, who will inform the President of the Management Board and agree with him actions to be taken. If a report is confirmed, appropriate corrective and preventing measures are taken for the future.

*The General Principles of Environmental and Social Risk indicate business activities in which the Bank does not invest due to especially high risk of violation of human rights. We require that our clients to run their businesses in compliance with the regulations governing social and environmental issues and that they should have all permits and licences required under the law. The General Principles are applied to clients to whom we offer lending products. We do not establish relations with clients whose core business activity is covered by the Policy of Exclusions. The key environmental and social risks related to violations of human rights as a result of forced labour, child labour, inappropriate working conditions, use of violence, predominantly occur in forestry and plantations and industrial processing.*

All Group vendors represent that they observe the standards set out in the Vendors Code of Conduct of ING Bank Śląski S.A. Its observance is a prerequisite for starting and continuing cooperation with the Group. The key standards include: observing the applicable laws in relations with the employees, including the employees' rights, as well as respecting their personal dignity, privacy, and individual rights. Vendors should also provide their employees with safe and harmless workplace in health terms and consider environment protection by striving for reducing environmental burden as part of their business and they ought to undertake actions leading to environment improvement. Moreover, vendors should observe prohibition of forced labour, child labour, corruption, and discrimination.

### **Effects of applying policies**

- We apply the Vendors Code of Conduct of ING Bank Śląski S.A. to all suppliers, regardless of their place of business.
- 100% vendors of ING Bank Śląski S.A. declare to comply with the standards of the Code.
- Employees can anonymously report suspected crime and breach of professional ethics using a dedicated form. The report can also be submitted by name, and in this case, we ensure confidentiality and discretion, as well as protection against repressive actions. If the application is confirmed, appropriate corrective and preventive actions are taken for the future. Alternatively, the Bank's employees may also use the ethical breach reporting channel provided by the ING Group: telephone line, website or e-mail address where reports can be sent.
- In 2020, 16 applications were submitted that could be considered under the Whistle procedure. After analysis and explanatory actions, in 5 cases the irregularities were confirmed and corrective actions were applied.
- In order to remind the rules for reporting illegal, improper or unethical behavior, in the third quarter of 2020, a communication was carried out to the bank's employees indicating appropriate channels for reporting violations ensuring confidentiality and anonymity.

## Anti-corruption policies

As a public trust organisation, the Bank sees anti-corruption practices as the top priority in its relationships with clients, business partners, and government officials. Any and all forms of bribery or corruption are absolutely forbidden. All ING Group employees are obliged not to accept any actions suggesting an attempt to commit a crime or of corruption. The *Regulations – Employee Business Ethics Standards of ING Bank Śląski S.A.*, which lay down the principles of conduct for each employee in the context of anti-corruption and combating conflicts of interest, information protection, and the whistleblowing procedure is the formal document regulating those aspects.

The anti-corruption aspects are detailed in the *Anti-Bribery and Corruption Policy* which all our employees are required to comply with. The *Policy* provides for the restrictions on accepting and giving material and non-material benefits in contact with clients, business partners, and public servants as regards:

- gifts or invitations to events,
- cash or its equivalents,
- trip or accommodation funding,
- hiring a given person by the Bank or offering him or her a traineeship or internship,
- sponsoring or charity donations by the Bank,
- participation in business meals.

In line with the accepted *Policy*, the Group follows the rules of integrity and ethics and applies the “zero tolerance rule to unfair behaviour”.

Should an employee accept or give gifts or benefits due to the participation in events – such an action always needs to be rationalised in business terms and the value of such benefits must be proportional to the specific nature of a business relationship. There must be always a legally compliant purpose of accepting or giving benefits. No such action can entail a conflict of interest, or even imply that such a conflict has occurred. The Bank disapproves giving benefits being political donations on its behalf. Staff decisions concerning employee hiring and secondment have to be substantiated with professional and objective criteria and they cannot serve illegal exertion of influence. The *Policy* provides for the amount thresholds on the benefits being gifts and participation in events which can be given or accepted by our employees.

Furthermore, the Group maintains a Register of Benefits. Accepted or given gifts, participation in events or business meals – in contacts with clients, business partners, and public servants – may need to be reported depending on their value.

The above rules are an element of the *Anti-corruption Declaration ING Bank Śląski S.A.*, which is always enclosed with agreements made with vendors. As per the *Declaration*, the ING Group disapproves of actions which satisfy the criteria of or imply bribery, and expects its business partners to comply with the anti-corruption standards. Further, the Group does not cooperate with business partners who do not accept our standards.

All employees are required to report corruption- or conflicts of interest-related irregularities. Infringements of the above regulations and laws can be reported in person or anonymously via the whistleblowing procedure set out in the *Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards*.

Compliance with policies is also ensured at the level of subsidiaries.

The text of the declaration can be found on [our website](#).

## Effects of applying policies

At ING Bank Śląski we do not tolerate corruption. We raise the awareness of our employees in this regard, so that they can better recognize and counteract corruption through e-learning training and regular awareness-raising activities:

We apply several straightforward rules:

- We do not accept or give any gifts or invitations to special events whose value exceeds the amount thresholds set, unless derogation from them has been accepted.
- We declare acceptance, refusal to accept or presentation of benefits above the permitted value to the electronic Register of Benefits – currently the threshold is PLN 200. We report such acceptance, refusal to accept or handing in relations with clients and business partners. In relations with public officials, we report each case of accepting, refusal to accept or giving benefits regardless of value.

We also require our vendors and business partners to comply with those rules. We encourage them to adopt the ING Bank Śląski S.A. Anti-Bribery Declaration.

Detailed information on suppliers can be found on [our website](#).

As part of the internal control system in place at the Bank, elements related to counteracting corruption are verified by:

- current verification, in particular regarding notifications entered into the Benefits Register,
- independent compliance tests,
- annual key control tests (KCT).
- In 2020, no cases of bribery or corruption were identified.

Anti-bribery and corruption policy and Regulations - Rules of professional ethics for employees of ING Bank Śląski S.A. they are part of employee documentation, the knowledge of which is confirmed by an employee in connection with employment in the Group.

## Non-financial risks

### Introduction

Non-financial risks cover management functions of operational and compliance risk based on a common framework, setting forth clear principles and standards of risk identification, assessment, monitoring, mitigation and reporting. The Bank manages non-financial risks in compliance with the Strategy and Risk Appetite Statement for Non-financial Risks approved by the Bank's Management Board that set forth risk limits and tolerance. Compliance with the declared risk appetite is monitored with the use of the periodic Report on the status of non-financial risk (NFRD). Moreover, the Bank has a Non-financial Risk Committee appointed by the Management Board of the Bank, which performs advisory functions for the Management Board of the Bank in the area of non-financial risk management. The Supervisory Board supervises the management of operational risk by the Management Board and minimum on a yearly basis reviews the effectiveness of the related activities.

A common non-financial risk management framework allows the bank to proactively identify the main threats and gaps and the related risks that may result in undesirable events. The framework supports such processes as self-assessment of risks and controls, scenario analyses, monitoring of key risk indicators or testing of key controls. The results of analyses of internal and external events constantly improve the adequacy and effectiveness of the bank's internal control system.

We believe that an effective control environment is essential to building and maintaining a sustainable business, and preserves and enhances the trust of clients, employees and shareholders.

## Operational risk

### Introduction

The Bank defines operational risk as the possibility of a direct or indirect loss resulting from maladjustment or failure of internal processes, people and systems or from external events. The Bank identifies legal risk as an element of operational risk.

The definition of operational risk is broad and covers the following areas:

- risk of control errors,
- risk of unauthorized activities,
- the risk of processing errors,
- risk of improper HR practices and workplace safety,
- the risk of breaching the security of people and resources,
- IT risk,
- business continuity risk,
- the risk of internal and external fraud.

The definitions of these risks can be found in the Annual Consolidated Financial Statements of the ING Bank Śląski S.A. Group for 2020.

### Operational risk management process

The Bank's objective in operational risk management is to ensure regular improvement of the safety of the Bank and its clients, reduction of operating expenses and improvement of operating effectiveness.

The Bank's Management Board – subject to approval of the Supervisory Board – has developed a strategy of operational risk management. The Bank has implemented a consistent package of internal normative documents. The documents regulate the scope, principles and duties of organisational units and employees to mitigate the effects and likelihood of financial and reputational losses in that respect. The Bank's management strategy of operational risk provides for legal and regulatory requirements and relies on good practices of the ING Group.

Additionally, the Management Board – also in agreement with the Supervisory Board – in its risk appetite statement defined the maximum acceptable loss limits, capital limits and risk scope that it is willing to accept in the pursuance

of the planned business objectives – subject to full compliance with the law and regulations. The level of limit utilisation is monitored and periodically submitted to the Management Board, Risk Committee and the Supervisory Board.

The operational risk management system applies to all spheres of the Bank's operations and the operations of the Group, as well as cooperation with clients, suppliers and partners. It is a cohesive, regular practice that covers the following elements:

- risk identification and assessment,
- mitigation or risks and monitoring of mitigation activities,
- performance of inspections,
- quality monitoring and assurance.

The management of operational risks in the Bank relies on the following general principles:

- maintains a complete, coherent and transparent structure of operational risk management with clearly assigned scope of tasks and responsibilities,
- recognises the nature of the internal and external environment – including limitations and weaknesses – draws conclusions from external and internal events to identify root reasons and to identify potential irregularities in the control environment or identify unrecognised risk exposures,
- identifies the causes, types and levels of risk that he is ready to take; sets standards for control and mitigation activities, taking into account risk transfer to the insurance market,
- has an efficient and consistent identification and control or risks for all products, activities, processes and systems functioning in the Bank,
- monitors and reports the amount of capital required, risk profile and risk exposure,
- constantly pays attention to raising the awareness of employees and managers; ensures that employees have appropriate qualifications to perform activities related to non-financial risk management and are equipped with appropriate tools.

Our priorities include the effectiveness of risk management processes and high quality of the used data.

The Bank recognises the following as core factors affecting risk levels:

- staff expertise and qualifications,

- working conditions,
- an adequate split of duties and supervision over compliance therewith,
- information security level,
- integrity of business processes and IT and technical systems,
- outsourcing,
- quality of internal and external documentation,
- external events related to changes in the business environment,
- natural calamities, failures and catastrophes.

### **Core modifications that occurred in 2020**

In 2020 the Bank continued the enhancement of the operational risk management system while focusing on ensuring compliance with new regulatory requirements, including inter alia:

- strengthened control mechanisms and the scope of monitoring in the area of counteracting internal and external fraud,
- keeps extending the use of stress tests in compliance with the EBA Stress tests guidelines,
- implemented the standard method of calculating the capital requirement for operational risk instead of the baseline ratio method,
- optimizing the Internal Control System through the appropriate selection of control mechanisms for key processes on the basis of periodic assessment of its effectiveness and implementation of quantitative measures used to perform this assessment,
- has reviewed risk management processes for optimisation of the first and second lines of defence and the use of the designed data management tools,
- has implemented an integrated calculation method of business continuity risk level;
- introduced a risk analysis for third party applications used by the Bank,
- adjusted outsourcing processes to EBA requirements,
- has continued work of the security of the Bank's functioning after implementation of the PSD2 directive;

- has enhanced the methods of crisis communication;
- cooperated with business for the safe adaptation of banking processes to the new reality related to the COVID-19 pandemic,
- introduced new or updated existing regulations, incl. operational risk management policy, information security policy, internal control system policy, business continuity management policy, anti-fraud policy, outsourcing policy, data management procedures, risk assessment and key control testing,
- conducted activities in the field of compliance with the regulator's requirements regarding cloud computing.

The Bank constantly cares about the quality of the data used, improving qualifications and expanding the possibilities of using advanced methods of data analysis in the processes of identification and monitoring of threats. The Bank also has been automating operations related to risk management with the use of RPA (Robotics Process Automation) tools.

The Bank raises the awareness of its employees and its clients indicating current hazards and appropriate conduct. The Bank learns lessons from the events that have occurred, explains their causes and introduces solutions that minimize the possibility of their occurrence in the future.

## Compliance risk

### Introduction

The Bank's compliance mission is to build a corporate culture based on knowledge of and compliance with laws, internal regulations, market standards and ING Values and Behaviour, as defined in the Orange Code.

### Compliance risk management process

The Bank Supervisory Board oversees the compliance risk management, and the Bank Management Board is responsible for effective compliance risk management, including: implementation of organizational solutions, regulations and procedures enabling effective compliance risk management and ensuring adequate resources and funds required for the implementation of tasks.

The Compliance Unit is an organisationally separate, independent unit responsible for the organization and functioning of the compliance risk management process. The aim of the Compliance unit is to develop solutions for the identification, assessment, control and monitoring of the risk of non-compliance of the Bank's activities with the provisions of law, internal regulations and market standards and to present reports in this regard. Compliance

activities are aimed at the active participation of the Bank's employees in the compliance risk management by shaping a risk culture based on knowledge and compliance with the law, internal regulations and market standards. In the last year, the Compliance unit continued organizational changes in order to adapt to the changing external environment. The changes are to further increase the effectiveness of compliance risk management and effectively reduce the risk in this area. With this in mind, the Compliance unit:

- developed the required procedures and methodologies on the basis of which it carried out independent inspections, training programs, issued recommendations and recommendations in banking processes, including the process of giving opinions on product and legislative changes as well as marketing materials,
- strengthen the competences of subordinate employees,
- implemented an automation plan in the area of compliance risk.

### Major initiatives in 2020

In 2020, the Bank continued work to improve the compliance risk management system, including the following elements:

- counteracting money laundering and terrorist financing, as well as regulations on counteracting the use of the financial sector for fiscal fraud,
- the requirements of the MIFID II Directive and Polish implementing regulations,
- reporting of tax schemes and tax avoidance (MDR).

Additionally, new or updated regulations have been introduced, incl. compliance policy, "know your client" policy, anti-bribery and anti-corruption policy, competition law compliance policy, policy of counteracting conflicts of interest.

## Transaction security and stability of IT systems

### Introduction

The security of the funds and data of clients and partners is a key issue to which the Bank pays special attention in its day-to-day operations. It observes threats on an ongoing basis and analyses their impact on the ICT infrastructure (applications, systems, networks), as well as business processes, processes of its partners and their potential impact

on clients. On that basis, it designs and implements appropriate organisational and technical solutions in the areas of prevention, detection and response.

The Bank's ICT systems protect multi-layered cyber security mechanisms and systems.

An extremely important aspect of the Bank's efforts to ensure the appropriate level of banking services for clients is ensuring the stability of systems operation.

To attain this goal, various measures are taken such as:

- ensuring an appropriate process of change management in IT systems, which guarantees adequate tests of the impact of changes on the operation of systems,
- ensuring the proper architecture of critical systems that guarantees full redundancy of components and resistance to failures,
- implementation of a mechanism for monitoring the correct operation of systems, allowing for early detection of symptoms of component malfunction and quick error diagnostics,
- implementation of the process of managing the increase in demand for resources ensuring that hardware and software resources are adapted to changes in business volumes and changes in the way clients operate.

### **IT security management process**

Ensuring security for IT systems and the data processed in them is a priority for the Bank, therefore its aspects are embedded in every process or area of the Bank's operations. Processes. to ensure safety. are subject to continuous effectiveness control, which allows for continuous improvement of procedures related to: counteracting, detecting and responding to threats and taking actions to eliminate their potential effects (e.g. unavailability of banking services).

The Bank's approach to security management in the IT area is systemic and continuous, identifying threats regularly, strengthening protection mechanisms, and implementing a long-term cybersecurity strategy. IT security processes and roles are organized in accordance with the best and recognized international standards.

Activities in the area of IT security are supervised by the Bank's Management Board and by the dedicated ICT Environment Security Council appointed by it. It consists of, *inter alia*, management staff of the following units: business, IT, cyber security, operational risk, data security, fraud prevention. The Board regularly assesses the Bank's

resistance to known threats and issues directional technological and procedural decisions in the scope ensuring an adequate level of the Bank's cybersecurity.

A dedicated unit is responsible for cyber security tasks, including continuous security monitoring. Nevertheless, the Bank adopts the principle that each employee is responsible for ensuring the security of data and ICT systems to the extent adequate to their functions, tasks performed and their powers. Raising the awareness and competence of employees in the field of protection against threats is a permanent element of training and awareness-raising campaigns.

The Bank constantly improves security solutions and systems used to protect its clients, as well as the Bank itself, constantly testing their real effectiveness through, among others, penetration tests of banking infrastructure and applications, advanced APT tests (Advanced Persistent Threat), tests of immunity to DDoS (Distributed Denial of Service) and many others.

The Bank designs and updates the security standards and architectures applicable at the Bank on an ongoing basis. Based on the requirements contained therein, ICT systems are designed, built and implemented in accordance with the principle to ensure a high level of security at the earliest stages of their life. During development, before implementation and periodically after implementation, the systems are subjected to various tests, verifying the resistance of systems and applications to attempts to breach their integrity and to bypass the applied security measures.

Components of the ICT system are subject to a continuous scanning process aimed at detecting any vulnerabilities and eliminating them immediately. In addition, banking systems (network, infrastructure and applications) have security monitoring implemented, which allows for an ongoing detection of anomalies, side effects and attempts to breach security. Multi-layered protection against malware (such as ransomware) is also implemented.

As part of the activities increasing the level of security, mechanisms of multi-factor authentication of users' access to ICT systems and data and monitoring of their activity are implemented.

For each ICT technology and specific application solution, the Bank develops standard security requirements, and their effectiveness and correct implementation are regularly verified as part of security tests and reviews, as well as internal and external audits. Such audits and tests are performed by reputable expert companies.

The Bank has maintained and updated existing and implement new tools for early detection of all types of fraud and abuse, advanced targeted attacks, including preventing information leakage or execution of unauthorized transfer of large amounts of money from the banking system.

The Bank uses solutions of leading providers of tools and services in the area of cyber security and unique solutions developed in-house by specialists. At the same time, the Bank constantly cooperates with entities of the ING Group and other companies and organizations in Poland (banks, internet service providers, industry associations). This allows it to observe trends, detect new vulnerabilities and counteract IT security threats in advance.

The Bank actively cooperates with governmental and financial supervision institutions, complying with all recommendations and recommendations of these institutions, including the requirements for the operator of the key service, which the Bank has been designated pursuant to the Act on the National Cybersecurity System.

In activities related to ensuring the security of client data, the Bank is not limited to the Bank's infrastructure, but also requires an equally high level of security from its partners, both by means of appropriate contractual provisions specifying IT security requirements and verification of their compliance with cyclically performed audits.

In internet banking applications, the Bank uses the following solutions to increase client security:

- Authorisation of operations (transactions, logging, data change) with a one-off code – this method enables the authorisation of instructions in the Internet banking system by means of an authorisation code. The user receives the code via SMS. The code is generated for one particular disposal and has a limited validity period. Along with the code, the client receives information about the details of the transaction, which allows for additional verification of the order.
- Hard daily limit – an amount limit up to which transfers can be made on a given day in online banking.
- Encrypted Internet connection – access to banking systems is possible only after entering an ID and password. Communication between clients' computers and the Bank's server is encrypted with the TLS protocol. The ing.pl website and the internet banking system are protected by digital certificates with a high level of trust, which secure the connection via the encrypted HTTPS protocol. This guarantees fully secure data transfer in an encrypted form, protects it from external changes and authenticates computers communicating with each other.

- 3D Secure (standard for on-line card payments) – when our clients pay with a card in an on-line shop that supports 3D Secure, they additionally confirm the payment with a one-time SMS code. In order to use 3D Secure payments in our Bank, you don't need to run or activate anything – just a card that supports on-line payments.
- Masked password – logging into the internet banking system is done without entering the whole password – the system automatically draws only selected characters.
- Automatic logout in the event of user inactivity.
- Behavioural biometrics – analysis of user interactions with a computer in order to detect possible interference by undesirable persons. During this verification, it is not checked what a given user does, but how he/she does it. The Bank collects and analyses, *inter alia*, information on how fast and often the user clicks on individual keys on the keyboard, how to scroll the screen, how fast and often the user clicks the computer mouse. The user profile is built only after logging into the Moje ING internet banking system and the user's behaviour is compared after each login.
- Transaction monitoring – the Bank monitors the use of internet banking in real time, both in the detection and prevention modes.
- Malware detection – a tool has been implemented to detect malware at the client's station when using online banking.

With regard to mobile banking, the Bank applies the following security solutions:

- Authorization of transactions in the mobile application – this method is available to clients who use the Moje ING online banking system, make a transfer on a computer and have the Moje ING mobile application installed; it is used interchangeably with the SMS code.
- Fingerprint logging – this option is available for phones with a fingerprint reader. Activation of this login method is available after logging into the application.
- Hard daily limit – the amount limit to which transfers can be made on a given day via mobile banking application.
- Automatic logout in the event of user inactivity.

In the event of a justified suspicion of a threat of cybercrime or fraud against clients, the Bank takes preventive measures, e.g. rejects transactions, blocks services, protecting clients against taking over their data or funds by unauthorized persons.

## Personal data security

### Introduction

Stabilność systemów IT to również ochrona danych osobowych klientów, partnerów biznesowych i pracowników. Jednak poza bezpieczeństwem informatycznym, Bank dba również o bezpieczeństwo fizyczne przechowywanych w Banku danych i informacji i stale doskonali swoje podejście do ochrony danych osobowych. Wewnętrzne regulacje Banku ściśle określają obecność osób postronnych w biurach i wykluczają podłączanie niezweryfikowanych urządzeń do bankowej sieci teleinformatycznej

Regularnie testowane są fizyczne zabezpieczenia, a wnioski z kontroli stanowią inspiracją dla zmian. Testowanie zabezpieczeń fizycznych stało się w Banku nieodłącznym elementem testów APT badających odporność cyberbezpieczeństwa Banku.

### Zarządzanie bezpieczeństwem danych osobowych

The stability of IT systems also means the protection of personal data of clients, business partners and employees. However, apart from IT security, the Bank also cares about the physical security of the data and information stored in the Bank and constantly improves its approach to personal data protection. The Bank's internal regulations strictly define the presence of outsiders in offices and exclude the connection of unverified devices to the bank's ICT network. Physical security features are tested on a regular basis and the conclusions of the inspection inspire change. Physical security testing has become an inalienable element of APTs testing the Bank's cyber security resistance. In the last year, the Bank did not find any justified complaints regarding breach of client privacy, although administrative proceedings are pending in one of the cases.

The Bank cares about the high level of awareness of its employees on the protection of personal, financial and business data by obliging them to undergo a mandatory training cycle.

In the last year, the training was updated and all employees did it again. Programs aimed at continuous improvement of employees' competences in the field of data protection are constantly implemented, indicating how important it is to protect the privacy of clients, business partners and employees themselves. In this regard, the bank uses meetings, workshops, and cyclical communication with employees.

The Bank has adapted the technical and procedural safeguards required by law, internal regulations and good practice in order to better protect its clients' data.

The security of using banking services also depends on clients, so the Bank shares with them information about potential threats and recommends security solutions on devices supporting Internet banking transactions made by the clients. The bank provides each client with a set of rules for the correct use of online banking:

- suggesting how to create a secure password,
- keeping you informed about the risks in Internet banking,
- reminding you of the rules of safe banking,
- explaining how to protect against data theft on the Internet,
- teaching you how to protect your clients' devices,
- blocks services in justified cases, protecting clients against taking over their data by unauthorized persons,
- making you aware of the dangers during conversations with clients who visit us at the facility,
- attending workshops for academic circles aimed at raising awareness.

The Bank cares for both the safety of retail clients and the safety of corporate clients. As in previous years, conferences for corporate and strategic clients are continued, during which the Bank presents threats related to cybercrime as well as the mechanisms of banking applications and solutions that allow to counteract fraud.

The bank not only implemented the requirements related to the introduction of the European Union Regulation on the protection of personal data, but also analyses changes and implements them without undue delay in internal procedures and regulations. As in previous years, as part of the Polish Bank Association, the Bank cooperates with other banks in order to develop a common code of conduct and to develop coherent solutions related to the protection of personal data.

### Cyber security

Due to the events in the country and in the world, 2020 was very special, also in terms of cybersecurity. The number of activities carried out remotely with the use of modern technologies and solutions based on Internet access has increased. As a result of the introduced restrictions and recommendations resulting from counteracting the pandemic, the number of bank employees working remotely, especially in the IT area, increased significantly. The possibility of remote work has been used in the bank for many years, fitting well with the applicable procedures and methods of operation. The bank's IT system, thanks to the investments made in previous years, was prepared for an

increase in burdens in this area. The change in the method of access (from stationary to remote) to banking systems had no impact on ensuring cybersecurity in the bank. All implemented security mechanisms and the required activities in the area of cybersecurity were fully implemented.

The specific situation caused by the so-called general *lockdown* has increased the frequency of attacks by cybercriminals significantly. Although most of the attack methods used against clients remained unchanged compared to previous years, new scenarios emerged that could be used on a much larger scale. The scenarios of these attacks were very similar around the world, we can distinguish the following:

- Phishing campaigns concerning an ongoing pandemic or related topics, in particular distributed via SMS, i.e. smishing. This year was particularly visible in the scenario of an additional payment for a parcel that is waiting, for example, for disinfection, or which has exceeded the permitted weight. Criminals used new payment methods, mainly BLIK, but also HCE cards, to withdraw and steal funds from customer accounts.
- Due to the introduction of new types of payments with digitized cards, such as Apple Pay, phishing attacks in which payment card details from customers were phased out have also become popular.
- The most popular attack using social engineering were attempts to extort funds under the pretext of high returns after investing their funds on cryptocurrency exchanges.
- The number of attacks using telephone connections (spoofing) has increased. Fraudsters using it pretend to be the bank's hotline or security department, using appropriate techniques so that the customer's phone displays the real bank number when they call. Criminals tricking customers into installing additional software that allowed them to take control of the customer's device has become a very common problem.
- Malware attacks also used the theme of the pandemic and, inter alia, context of the courier delivery, however, the sheer number of attacks was smaller than the other scenarios.
- Attempts have been made to attack / compromise external suppliers in order to access the infrastructure of cooperating companies.

The degree of advancement of targeted attacks on enterprises and institutions (mainly financial) carried out by organized groups of cybercriminals was similar to the previous years.

As in previous years, the environment in which we live and function is changing dynamically. New technologies and the methods of their use are rapidly developing, which not only affects the convenience, efficiency and effectiveness, but also carries many risks.

With this in mind, we are constantly strengthening and developing our own cybersecurity system at the local level and the entire ING Group in order to prevent cybercrime acts against customers, employees and our bank's ICT system.

Due to the activities undertaken in the area of cybersecurity, the bank did not record any significant incidents or frauds resulting from the weakness of the banking security system.

Cybercrime resistance is one of the basic principles of building customer interaction channels by our bank. Due to the continuous development of new, advanced attack methods, the bank's security teams are constantly improving existing systems and building new, more effective detection and prevention mechanisms. An important element of our development strategy is the constant improvement of the competences of security specialists as well as testing systems, processes and people as part of numerous exercises and tests. All these activities are aimed at protecting the bank's resources from threats from inside and outside and thus protecting our clients and the funds entrusted to us.

Since mid-2020, we have been actively using behavioural verification methods to identify potential attempts at criminal activity in the area of electronic banking channels. Thanks to this solution, we can prevent the impersonation of third parties as Moje ING users. Behavioural verification allows for a better adjustment of protective mechanisms to the user of electronic banking by creating a dedicated behavioural profile of the client. These methods are used after obtaining the consent of the client. In order to encourage customers to use this type of solution, we launched appropriate information campaigns.

We have also introduced an anomaly detection mechanism in the bank's transaction system, which is designed to provide early warning against unauthorized interference in transactions performed by clients. Detecting any inconsistencies in transactions between those initiated by the client and the final ones recorded in the system, allow us to increase the security of using our bank, reducing the occurrence of the so-called internal frauds.

We are constantly developing tools, algorithms and rules to detect various types of fraud and abuse, including preventing data leakage. We execute many of these tasks together with other ING Group member companies, as well as in cooperation with financial institutions, state bodies and law enforcement agencies. We establish cooperation

with suppliers of modern technologies in order to introduce new authorization methods based, for example, on biometrics or customer behaviour.

Last year, our bank carried out many activities aimed at raising the level of awareness of bank employees in the field of cybersecurity threats and implemented programs aimed at improving the skills of IT employees and teams responsible for ensuring an appropriate level of cybersecurity of the bank.

We also launched many information campaigns for our bank's clients warning of current threats. On current basis we keep our customers informed about existing threats through our websites, educate them and show them how to behave in order to use online and mobile banking safely. Such activities are visible in our e-banking system for each user, and up-to-date information is systematically placed on the basis of the currently detected threat targeting each electronic banking user. Last year, for the first time, we also conducted such campaigns in social media, not only as articles, but also as short spots. As part of customer awareness, we conducted a number of dedicated training courses for selected corporate and strategic clients.

## Environmental and social risk

As a Bank, we have an influence on the financing and lending of projects that may have a significant negative impact on the society and the environment. Respect for human rights, environmental protection and sustainable development are an important element of our long-term value-building strategy. We are aware of the perils arising from irresponsible use of natural resources. We support clients in conducting their business in a sustainable manner and encourage them to constantly improve themselves in this area. We require that our clients to run their businesses in compliance with the regulations governing social and environmental issues and that they should have all permits and licences required under the law. Therefore, in order to avoid the risks associated with financing projects that have a negative impact on the environment, we apply an environmental and social risk assessment as well as an exclusion policy.

The most important socio-environmental risks include:

- violation of human rights as a result of forced labour, child labour, inadequate working conditions, the use of violence; the risk occurs primarily in forestry and plantations as well as industrial processing,

- threat to the health of employees and local communities as a result of environmental contamination, contact with harmful chemical materials, transmission of animal diseases to people, non-compliance with labour law; the risk is primarily related to the chemical industry, energy, mining, metal production and animal husbandry,
- risk to the health and life of consumers as a result of consuming products harmful to health; the risk is primarily in the tobacco industry,
- a controversial trade policy consisting in contracting extremely low prices for products manufactured in economically underdeveloped countries; the risk is mainly related to industrial processing,
- inhumane treatment of animals in the process of breeding, transport, slaughter or conducting medical experiments (animal welfare),
- loss of biodiversity and uncontrolled spread of invasive species, including genetically modified species; soil erosion and degradation; the risk is mainly related to forestry and plantations,
- contamination of soil and water with heavy metals, waste, sewage and the increase in water consumption in areas with poor water resources; the risk is mainly related to animal husbandry, forestry and plantations, industrial processing, chemical industry, energy, mining and metal production.

## Environmental and social risk management

The environmental and social risk assessment covers the client and the transaction. We make judgments to the best of our knowledge. At the client's level, we assess whether the business is conducted with respect for human rights, environmental protection principles and is not covered by the exclusion policy. At the transaction level, we assess whether it complies with the requirements of the detailed policies.

The exclusion policy applies to activities with a particularly high risk of violation of human rights and the risk of a negative impact on the environment and the principles of sustainable development. We do not establish relations with clients whose core business activity is covered by the policy of exclusions.

We identify and properly manage relationships with clients who operate in areas more susceptible to social or environmental threats. We apply detailed policies to support environmental protection and minimize risks in exposed areas.

Detailed policies concern the following areas:

- Well-being of animals,

- Forestry and plantations,
- Industrial processing,
- Chemical industry and utilisation of chemicals,
- Defence and the arms industry,
- Hard coal mining, coal-fired power industry, and related businesses,
- Other mining and power industry, petrochemical industry and metal manufacturing.

In order to better manage risk, we have created *General Principles of Environmental and Social Risk* for our employees. It supports the identification and proper management of relationships with clients who operate in areas that significantly affect the environment in which we live.

In the near future, we plan to focus more heavily on the complementation of environmental / climate, social and management risks to the bank's risk management process, including customer and transaction risk assessment. We want to take into account gradually (and depending on the sector) additional risk measures, such as: the level of greenhouse gas emissions, energy consumption and energy efficiency, water consumption management efficiency, waste management, water, air and soil pollution, pursuit / advancement in the development of low-emission technologies and others pro-environmental. We are aware, however, that the work already underway at the bank to implement a strategic, forward-looking and comprehensive approach to climate and environmental threats, as defined in the recently issued guidelines and consultation documents, will be a process spread over several years. Data sources remain the focus of our attention, although work at EU level on disclosure requirements related to environmental, ecological and climate issues has accelerated in recent years, it has not yet reached its full maturity. We will continue the approach to preferring the financing of "environmentally sustainable" activities, ie significantly contributing to the improvement of the environmental and climate situation, meeting the technical criteria / standards of such qualification, but also conducted in accordance with social and management standards.