



Report on non-financial information of ING Bank Śląski S.A. Group in 2022

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 2022, 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 the policies, as well as the performance indicators, was based on its own materiality criterion, taking into account internal and external factors relating to the ING Bank Śląski S.A. Group's operations. The ratios used are proprietary ratios calculated on the basis of data available in the Group. The report fulfils the requirements related to the Accounting Act Journal of Laws 1994.121.591 as amended. In the selection of indicators and the description of the results of the applied policies presented in this Report, we were also guided by the results of the materiality assessment (which included, among others, a dialogue meeting and individual interviews with representatives of key stakeholder groups of the ING Bank Śląski S.A. Group) that we conducted in Q4 2022 for the preparation of the Management Report on the Activities of the ING Bank Śląski S.A. Group in 2022.

In view of the integrated approach to reporting, an additional description of non-financial information beyond the scope of this Report is included in the Management Report on Operations of the ING Bank Śląski S.A. Group in 2022. In the 2022 Management Report of the ING Bank Śląski S.A. Group, non-financial information is reported in accordance with GRI Standards.

The Bank does not identify any links between the values reported in the 2022 Annual Consolidated Financial Statement of the ING Bank Śląski S.A. Group and the information contained in the Report on Non-Financial Information.





ING Bank Śląski

Our history goes back to 1988. It was in that year, exactly on 11 April, that the Council of Ministers issued a regulation on the establishment of Bank Śląski in Katowice, and this is where our head office is still located today. Less than a year later, at the beginning of February 1989, Bank Śląski began its activities. In 1992 our bank was transformed from a state-owned bank into a joint stock company. In 1993, we received approval from the Securities Commission to list our shares to the public. In January 1994, ING acquired 2.4 million shares in our bank, corresponding to 25.9% of the share capital. On 25 January 1994, the shares of Bank Śląski were quoted for the first time on the Warsaw Stock Exchange.

Since 6 September 2001 – after the merger of Bank Śląski with the ING branch – we have been operating under our current name, ING Bank Śląski S.A. At that time, ING Group became the majority shareholder in our bank (with a stake of 87.77%, which was reduced to 75.00% in March 2005).

The bank is effectively growing organically. The bank’s mission is to inspire and assist clients in making the right life decisions. Achieving this requires a committed and responsive workforce. We pursue this mission through our bank, its subsidiaries and, above all, through our group of over 8,000 employees.

After more than 30 years of continuous development, we are now ranked 4th in terms of total assets and commercial balance (total deposits and loans) in the Polish commercial banking sector. Our scale of operations contributes to the development of the Polish economy, but it also brings with it an awareness of the enormous responsibility for our employees, clients, society and the environment.

We are a universal bank that serves both retail clients and businesses. The primary channel of communication with our nearly 5 million clients is the Internet, with mobile banking playing a strongly growing role. We also serve our clients through a network of 228 meeting places. These are meeting places where our clients can ask for advice and talk.

In 2022, ING is the leader in brand power(*Brand Power*) among banks for the third consecutive year (based on Kantar Polska survey). The high level of the indicator indicates the role of brand image in increasing market share, in particular the bank’s fit with clients’ needs, the brand’s differentiation from competitors and ING’s recognition among banks. In 2022, ING was the most trusted brand among consumers and a bank that continuously improves the quality of its products and services in response to changing client needs and expectations. The strong image translated into the highest preference for ING among banks when consumers chose: a savings account and a loan, and second place for: mortgages, personal accounts and a mobile app. The brand has an aspirational image: a bank for entrepreneurial people and a socially engaged brand.

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, we have established ourselves as one of the largest financial institutions in Poland over our more than 30 years of operation. Our core business is banking, which means, among other things, risking the funds entrusted to us by our clients (this is detailed in paragraph 8 of our Articles of Association). As a bank, together with our subsidiaries, we form a capital group in which we are also active in, among other things:

- leasing,
- factoring,
- payroll and accounting services.

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

In 2022, 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.

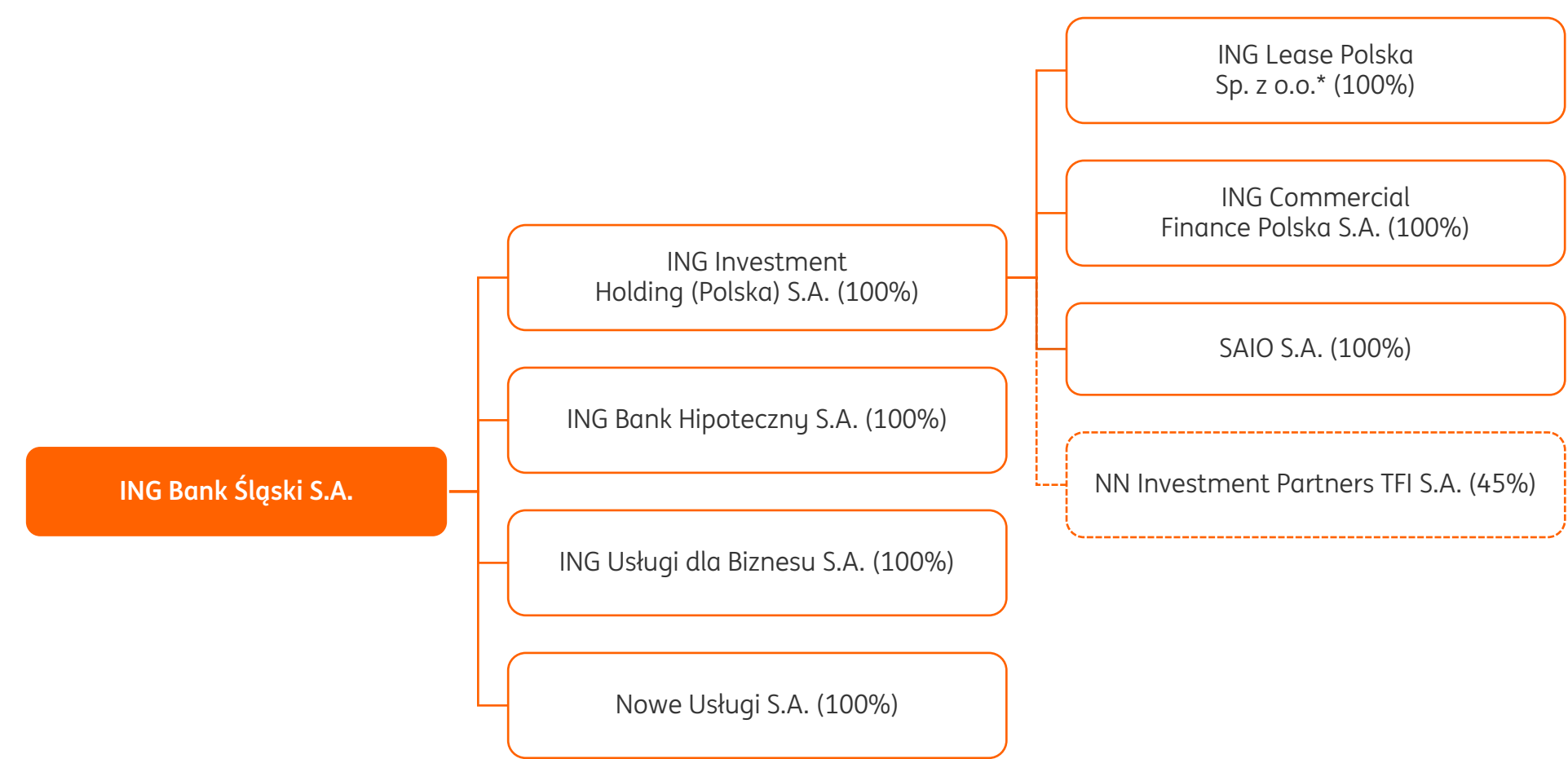
ING Bank Śląski performs operations with ING Bank N.V. and its subsidiaries on the inter-bank market. These are both short-term deposits and loans, as well as operations in derivatives. The bank also maintains the bank accounts of ING Group entities, as well as providing outsourcing and advisory services.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

The operating expenses incurred by the bank for the parent entity mainly result from contracts for consultancy and advisory services, operational support, operational handling of payment cards and data processing and analysis, the purchase of IT services and the provision of software licences. In terms of costs incurred by the bank for other related parties, outsourcing contracts for the provision of system resource hosting services for various applications and IT security monitoring and penetration testing play a dominant role. 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 2022.



ING Bank Śląski S.A. Group composition

Subsidiaries and associates within the ING Bank Śląski S.A. Group as at 31 December 2022



A solid frame line indicates a subsidiary and a dashed frame line indicates an associated company; *the ING Lease (Polska) Group comprises an additional 5 subsidiaries in which ING Lease (Polska) Sp. z o.o. holds 100% of the shares.

The Bank, through ING Investment Holding (Polska) S.A., holds 45% of shares in NN Investment Partners TFI S.A. and treats this company as an associated company. Subsidiaries are consolidated by our bank using the full method, and the associated company (NN Investment Partners TFI S.A.) 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 S.A. (5.7% of shares)
- Polski Standard Płatności Sp. z o.o. (14.3% of shares).

ING Investment Holding (Polska) S.A.

ING Investment Holding (Polska) S.A. is a holding company. Through it, the bank holds shares in four companies: ING Lease (Poland) (100%), ING Commercial Finance (100%), SAIO S.A. (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 Group of ING Bank Śląski S.A. ING Lease (Polska) offers all basic types of leasing which allow to finance both movables (in the form of cars, vans, heavy transport vehicles, machinery and equipment, construction, medical, equipment and IT equipment) and real estate. The ING Lease (Polska) Group is composed of 5 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 2022, the company’s new leasing production amounted to PLN 6.4 billion (+2.5% y/y). As at 2022 yearend, the company served more than 36,400 clients (up 2% y/y) and the portfolio value was PLN 12.9 billion (+12% y/y; based on management accounting data).

ING Commercial Finance Polska S.A.

ING Commercial Finance Polska offers factoring. 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).

In 2022, ING Commercial Finance Polska’s turnover amounted to PLN 67 billion (+26% y/y), representing 14.5% of the turnover of the entire market. In 2022, the Company served nearly 9.5 thousand clients (up by 16% y/y) and bought out 4.2 million invoices (up by 10% y/y).

SAIO S.A.

SAIO is active in the sale and implementation of RPA/RDA-class business process robotisation software. The company is developing business based on its own operations and the partner network it is building in Poland and abroad. SAIO’s innovative software was ranked in the Everest Group – South Africa Products PEAK Matrix® Assessment 2022 and the SAIO brand won a Red Dot award.

ING Bank Hipoteczny S.A.

ING Bank Hipoteczny’s strategic objective is to acquire and then increase the share of long-term funding in the ING Bank Śląski Group’s balance sheet by issuing mortgage bonds and joining the group of major issuers of these debt instruments in the Polish market.



The achievement of the set goal will support:

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

ING Bank Hipoteczny has so far issued 5-year “green” mortgage bonds in 2019 for an amount of 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 recent years, due to the market situation caused by the COVID-19 pandemic and the armed conflict in Ukraine, ING Bank Hipoteczny did not issue mortgage bonds, but in order to increase the diversification of its existing funding sources, it established an own-bond programme under which it issued short-term debt securities. In addition, the above situation was also influenced by “credit moratoria”. In July 2022, ING Bank Hipoteczny recognised a credit moratoria adjustment of PLN 103.5 million in the income statement, which has a significant impact on ING Bank Hipoteczny’s result in 2022 (negative net result). However, the impact of credit moratoria is regulatory and one-off. It does not affect the future ability of this bank to generate a positive result in subsequent reporting periods. In addition, it should be noted that despite the recognition of the adjustment in question, ING Bank Hipoteczny’s capital adequacy, liquidity, asset quality ratios remain at safe levels, higher than the specified regulatory limits.

ING Usługi dla Biznesu S.A.

ING Usługi dla Biznesu was founded in 2012 and offers innovative business services that go beyond traditional banking.

The company’s main objective is to provide tools that make running a business easier. ING Usługi dla Biznesu currently offers the following solutions:

- ALEO.com – the largest online database of companies (registration data, financial data),
- ING Accounting – invoicing and payment management platform, as well as accounting and payroll services,
- Firmove – a service supporting would-be and existing entrepreneurs in business creation and development.

Nowe Usługi S.A.

The Nowe Usługi Company conducts educational and marketing activities. In the field of education, it runs the website [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 activities are carried out to popularise Turbo certificates in 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](#) website.

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 in terms of assets in capital market funds. The Company manages PLN 30.5 billion (data from NN Investment Partners TFI S.A. as at the end of December 2022) placed in funds and portfolios for a wide range of clients. It supports over 500 thousand clients by offering them a wide range of investment products. NN Investment Partners TFI S.A. is part of the international Goldman Sachs Group Inc. It successfully combines global and local expertise to provide clients with investment solutions of the highest standard.

On 11 April 2022, Goldman Sachs Group Inc. announced the completion of its acquisition of NN Investment Partners Group. The combination of NN Investment Partners and Goldman Sachs Asset Management creates an asset management entity with around USD 2.8 trillion in assets under management (NN Investment Partners Group and Goldman Sachs Asset Management data as at the end of December 2021). The combination of NN Investment Partners’ strong European responsible investment capabilities and Goldman Sachs Asset Management’s position in the top five providers of alternative solutions strengthens an entity that will offer a full portfolio of products to clients. The aim of the merger is to provide investment solutions on a broad scale and to accelerate the development of offerings across multiple asset classes. In addition, this transaction and the long-term partnership agreement between the institutions for further asset management makes Goldman Sachs Asset Management one of the world’s largest managers of non-group insurance assets.

Changes in the structure of the ING Bank Śląski Group

Establishment of SAIO S.A.

SAIO was established on 2 August 2022 as a 100% subsidiary of ING Investment Holding Polska (which was its founder). The company, after a period of organising (awaiting registration in the National Court Register), became an assignee of the business previously carried out at ING Usługi dla Biznesu. The business assignment was made on 1 October 2022. At that time, all relationships with clients, vendors, partners and ING Bank Śląski (licence with sub-



licensing rights for SAIO software) were transferred to the new company. Thus, the entire *robotics* business (software licences, implementation services) has been concentrated in a dedicated entity under a new brand.

Liquidation of SOLVER Sp. z o.o.

On 18 May 2022, the liquidation of the Bank’s subsidiary SOLVER Sp. z o.o. was closed. On 25 August 2022, the District Court in Katowice issued a decision on the deletion of the company from the National Court Register (effective date of the decision: 9 September 2022)

Our clients

New client acquisition remained at a satisfactory level relative to previous years, with 322,000 new individual clients acquired in 2022 (309,000 in 2021), 56,000 businesses (62,000 in 2021) and 15,000 corporate clients (13,000 in 2021).

Throughout the year, the Bank’s client base increased by 65 thousand, versus growth of 128 thousand the year before. The relatively lower growth in the number of total clients relative to the number of new clients was due to the continuation of regulatory obligations and the closure of relationships with inactive clients (this effect was also evident in previous years, including in 2019).

As at the end of December 2022, the number of clients was 4.92 million and it was broken down into the following business segments:

- 4.38 million individual clients (up by 35 thousand clients y/y),
- 533 thousand corporate clients (up by 30 thousand y/y), including:
 - 436 thousand entrepreneurs (up by 16 thousand),
 - 93 thousand medium-sized and large companies (up by 14 thousand),
 - 3.4 thousand strategic clients (flat y/y).

The growth of our client base is better described by the number of *primary* clients, i.e. those for whom we are the first choice bank and who hold several (specific) products. As at 2022 yearend, we had 2.32 million such clients in total, i.e. 102 thousand more than as at 2021 yearend, including:

- 2.11 million individual clients (up by 91 thousand clients y/y),
- 157 thousand entrepreneurs (up by 2 thousand y/y), and

- 48 thousand corporate clients (excluding strategic clients; up by 9 thousand y/y).

Primary clients accounted for 47% of our total clients as at 2022 yearend (46% as at 2021 yearend).

The constantly growing number of clients is the result of the activities pursued by us to foster long-term relationships with clients. These relationships are based on the trusted brand, transparent and flexible product offer and a continuously developed modern distribution and customer service system. We focus on technological development and on supporting clients in their daily functioning. We respond to needs, increase availability and flexibility. We are committed to simple language and understandable banking.



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. We want to be seen as the **bank of the future for entrepreneurial people – a** bank that provides its clients with practical solutions that they need and are happy to use. We want people to be able to achieve their goals with our support.

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.

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, entrepreneur, 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 develop and offer products to support sustainable operations for both individuals and companies.

We offer our clients banking products and services (such as loans or savings accounts and transfers), but also in the area of *beyond* banking, i.e. not related to traditional banking. Our competencies support us in building a positive client experience. Those are not solely insurance products, accounting services or investment products. We offer our clients a broad range of tools for financial management.

As the bank of the future, **we are innovating** to meet the needs of our clients. We also use *big data* and artificial intelligence and cooperate with fintechs to reach beyond. 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, processing transfers, card, phone or BLIK payments and developing tools for cashless payments. To this end, we have provided specific solutions to support the development of e-commerce, such as the imoje payment gateway – the first online payment for online shops offered by a bank in Poland. They allow clients to quickly and conveniently complete payment for their purchases. In 2021, we were the first bank in Poland to decide to replace the central system. We have opted for a cloud solution that will further accelerate the digital and technological transformation of our bank.

This will make it possible to build reliable banking and ensure that the offer is fully personalised and tailored to individual clients' needs. This will eliminate planned unavailability due to maintenance work or the implementation of new products and solutions.

Electronic and mobile banking are the core interaction channel with both retail and corporate clients. We want our clients to have tools that enable them to make modern payments and remotely deal with simple issues such as paying for public transport tickets, parking and motorway journeys. Our electronic banking also allows you to deal with official matters more conveniently, e.g. you can submit applications for social benefits. More than half of retail clients use Moje ING exclusively on a mobile device, and in corporate banking, 1 in 10 transfers is made via the mobile channel.

We also note the changing role of branch offices. That is why, for several years now, we have no longer been talking about branches, but about meeting points where our advisers help clients to make important decisions – to bank every day, to live better, to grow their business and to take care of their financial future. For corporate clients, we also provide a service at their company's premises, depending on their needs. The task of our employees is to support them in taking financial decisions, inter alia by analysing their financial needs and objectives, financial condition or risk levels of investments.



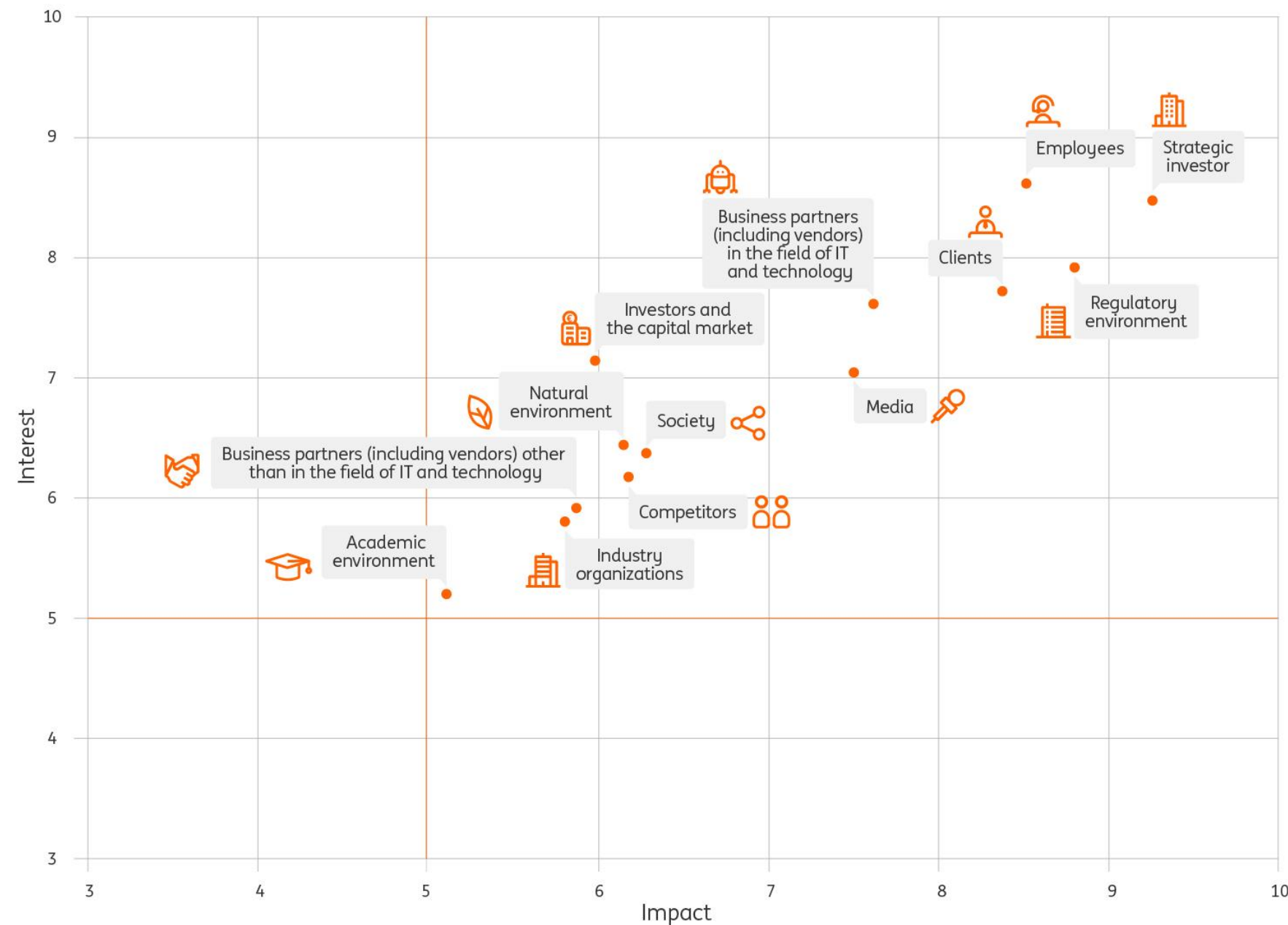
We are aware that we impact multiple economic processes and individual choices and it is up to our decisions what the world will look like and what reality will be there for the next generations. That is why in our business and non-business decisions we follow the **principles of sustainable development**. This applies to the areas of climate and environment (E), society (S) and corporate governance (G). We want to be an environmental leader and support our clients in their energy transition and in meeting new requirements. We support you in being entrepreneurial and help you manage your finances. We level the social playing field and look after the health of employees. We operate ethically based on values, principles and processes and in accordance with regulations and with reference to market best practice.

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 and *compliance*. We manage ESG risks as an integral part of each group of risks, both financial (e.g. credit risk or market risk) and non-financial (e.g. operational risk). We also care for optimum management of the asset and liability structure of our balance sheet in line with our risk appetite limits



Map of stakeholders

Map of stakeholders of the ING Bank Śląski Capital Group



ING's stakeholders are all those we influence and who interact with our organisation. In our business, their needs are very important and we want to know them well and respond accordingly. We are aware that our stakeholders' expectations are different. In our daily work, we work to respond to these diverse expectations. We ensure that our bank communicates in a professional yet straightforward manner with both the internal and external environment.

We rely on constant and open dialogue, not least because the opinions of our stakeholders enable us to take account of changing socio-economic conditions in the bank's plans.

In Q4 2022, we updated our stakeholder map. To this end, employees representing all divisions of the organisation rated stakeholders pre-identified as important to ING Bank Śląski Group for their impact on the organisation and their interest in organization (communication with the organisation) on a scale from 1 to 10. We determined the relevance of each stakeholder group based on the arithmetic averages of the scores obtained. We then discussed the results and agreed on the final shape of the stakeholder map.

Throughout the year, we regularly engage with our stakeholders to listen to their views and understand their needs as best we can. We give a strategic dimension to the topics that are most relevant to them. At the same time, we speak out and present our point of view on issues that are important in an economic, social or environmental context.

Communication with the public is a key element of our core business and a natural consequence of the bank's social activities. In our dialogue with stakeholders we apply both highly parametrised tools (satisfaction surveys, audits) and daily contacts.

Employees

Our priority is to ensure that we create a friendly and engaging workplace that follows the changing needs of employees. It is thanks in part to their voices, commitment and openness that we can continue to grow as an organisation. We get to know the opinions and evaluations of employees through, among other things, the regularly conducted Organisational Health Survey (OHI). On the intranet, employees discuss via the community and the CEO's blog. We also organise anonymous chats with management board members. The interests of workers and their rights are represented by the workers' organisations – the workers' council and the trade unions. We value and support our employees' commitment to volunteering.

Clients

Clients are one of our most important stakeholder groups, because without them our organisation would not exist. Their opinions and needs are extremely important to us, so we collect them on an ongoing basis, analyse them and



try to implement them into our products and services (the so-called voice of the client). Client satisfaction surveys are conducted on a continuous basis. Our clients can contact us through various communication channels.

Investors and the capital market

We adhere to the Best Practice for WSE Listed Companies – we ensure equal treatment of all capital market participants and attach importance to wide access to information and effective communication with them. We maintain regular contact with them, for example by holding quarterly conferences with the management on the occasion of the publication of financial results. We make sure that key and comprehensive information reaches capital market participants as quickly as possible – that is why we report earnings estimates for the fourth quarter of the year and our management report is an integrated report, showing a holistic picture of our organisation (giving equal weight to financial and non-financial information). We base all our communication on [our Information Policy](#).

Regulatory environment

We take care of regulatory compliance and fulfil supervisory recommendations. We respond to enquiries, report on the results of our activities, implement recommendations and recommendations.

Media

We contact the media by, among other things, answering current questions, distributing press releases, organising press conferences and initiating meetings. More information about the press office can be found on [our website](#) (Polish link).

Society

We are an engaged member of the community, working with many organisations in the NGO sector. We keep in touch with them through a variety of tools. We invite them to meetings, enter into partnerships, engage in joint initiatives. In addition, we make financial and in-kind charitable donations every year.

Natural environment

Environmental protection and sustainability are an important part of our long-term strategy. We identify risks and responsibly shape relationships with clients and partners who operate in areas that affect the environment in which we live. We support our clients with a sustainable financing strategy In line with our Environmental Declaration, we finance investments in Renewable Energy Sources (RES), pro-environmental projects and projects related to the support and promotion of electromobility, We carry out environmental education activities and cooperate with environmental organisations. As part of the [ING Grant Programme](#), we support start-ups and young scientists implementing innovative climate projects.

Business partners, including vendors

We select vendors on a level playing field, based on objective criteria. We work with vendors in an open and honest way. All vendors declare their compliance with the standards contained in the *ING Bank Śląski S.A. Code of Conduct for Vendors*. The Code is available on [our website](#).

Organisations and industry environment

We share our experience and knowledge with our community. We organise round tables to foster the exchange of ideas and thoughts.

Academic environment

The academic community, especially students, is a very important stakeholder for us. We organise meetings with students and participate in initiatives dedicated to them. We also organise an Internship with the Lion aimed at students who want to develop their career in banking. We are present at universities, among other things through our Ambassadors among students.



Management of sustainability issues

At ING, we conduct business in an ethical, responsible and sustainable manner. This stems from our values, as defined in the [Orange Code](#). We understand that our activities have an impact on many stakeholder groups. We respect the human rights of all those with whom we work. This is a core, universal value that is reflected in the various aspects of our business. We know that our responsibility is to support diversity and level the playing field. We act with respect for international standards – the Universal Declaration of Human Rights and the principles of the United Nations Global Compact. We are a signatory to the Diversity Charter. We feel responsible for our impact on society, the environment and the economy and are actively working towards the UN Sustainable Development Goals. We are implementing the provisions of our Environmental Declaration. The direction of our commitment to sustainability is set by the ESG Strategy. We care about responsibility in the supply chain and responsible product offering. The details of our activities are governed by internal policies, which are referred to in the various sections of this Report.

Permanent organisational structures

In 2022, the Management Board of ING Bank Śląski established two committees in the organisational structure of the bank: ESG Council and ESG Risk Committee. These committees have decision-making functions vis-à-vis all organisational units of the bank and advisory functions vis-à-vis the Management Board for matters requiring its approval.

The ESG Council's mission is to create the right ecosystem to make ESG an important, sustainable and inherent element for the entire organisation. The committee oversees the progress and consistency of ESG and sustainability communication activities across the organisation. The committee's tasks include:

- approval of the ESG Strategy and the actions and metrics for achieving the strategic objectives,
- monitoring the progress of activities and the achievement of targets in the implementation of the ESG Strategy.

The ESG Council is chaired by the President of ING Bank Śląski and is composed of the entire Management Board of the bank and the heads of the areas with the greatest impact on ESG goals. ESG Council meetings are held every two months.

The main tasks of the ESG Risk Committee include: creating ESG risk management policies, approving ESG risk management methodologies, approving tools used for ESG risk assessment, determining standards for ESG risk

credit analysis and the ESG risk assessment and monitoring process, as well as principles of ESG risk consideration in collateral valuation.

In 2022, the ESG Innovation Centre of Expertise was established at the bank to coordinate activities related to the building and implementation of the ESG Strategy and the functioning of the ESG Council. It also works to strengthen ESG awareness and culture and develop staff knowledge in this area. The combination of ESG and innovation competences allows us to effectively support the business in implementing innovative solutions in line with the idea of sustainable development.

In 2022, an ESG Risk Team was also established within the Risk Regulation Department, responsible for managing ESG risks within the CRO Division and initiating and coordinating further efforts to comprehensively implement ESG risk management into the existing credit, market, liquidity and operational risk management system and to meet the expectations set out in supervisory documents. We write more about the issue of ESG risk management in [ESG Risk](#).

Interdisciplinary collaboration and knowledge sharing

To achieve the objectives of the ESG Strategy, we have adopted two ways of working. The ESG Transformation Programme has been set up to carry out new, complex, multi-faceted tasks. The programme allows us to efficiently coordinate activities that require the participation of many units of the organisation and to gain added value from the cooperation of people working in different areas on a daily basis. The Core ESG Team of the programme includes representatives from all divisions of the bank – business lines, risk, finance, operations, IT, HR and subsidiaries. The programme supports us in the transformation to a target model for our engagement on ESG issues.

On the other hand, relatively homogeneous topics, which we have been pursuing for a long time and where we have already reached an appropriate level of maturity, are carried out in interdisciplinary teams – guilds – which take care of the continuity and synergy of the work. The essence of the guilds is the collaboration of teams made up of people from different areas of the organisation, the exchange of knowledge and the continuation of initiatives, stemming directly from the ESG Strategy. Interdisciplinary teams – guilds – have been set up in three areas: a friendly and diverse workplace, the financial health of clients and community action. Both the ESG Transformation Programme and the individual ESG Guilds report to the ESG Council.



We want to make it natural for everyone in our organisation to think and act in terms of sustainability. Starting with ourselves, we want to set a good example, share knowledge and best practices. The bank’s management has been actively promoting the idea of responsible business inside and outside the organisation for years, emphasising, among other things, the banking sector’s major role in supporting the green transformation. Responsibility for the achievement of ESG objectives is also expressed in the objectives set for the Management Board for the year and is directly reflected in the level of variable remuneration.

Bank officials regularly speak at events and in publications on sustainability issues. We work with the NGO community and are involved in their projects. We are actively working to build the ESG ecosystem. The ING Grant Programme supports innovative projects in line with the Sustainable Development Goals. We organise round tables to foster the exchange of knowledge and experience between experts from different backgrounds, industries and organisations working for sustainable development. We are convinced that the future is our shared responsibility.



Key non-financial performance indicators

ING Bank Śląski S.A.					
	2018	2019	2020	2021	2022
Number of clients (thousand)	4,860	4,504	4,722	4,851	4,916
Number of employees (persons)	7,665	7,690	8,053	8,248	7,961
Ratio of total pay for women to men	-	-	98%	99%	95%
Voluntary turnover rate	4.7%	4.8%	3.4%	5.6%	6.0%
Involuntary turnover rate	2.2%	3.2%	3.4%	3.4%	5.1%
Financing of RES by the corporate segment (PLN million)	12.7	46.5	975.6	303.5	1,553.3
Electricity consumption (kWh)	-	32,131,934	26,931,032	25,331,448	24,210,425
Water consumption (m ³)	-	76,930	70,932	58,528	40,139
Greenhouse gas emission reductions in scope I and II relative to the base year (2019) – market-based approach	-	-	-21.4%	-18.7%	-25.7%
Number of hours used for volunteering by employees	5,221	7,176	1,072	1,045	5,608

ING Bank Śląski S.A. Capital Group					
	2018	2019	2020	2021	2022
Number of clients (thousand)	4,860	4,504	4,722	4,851	4,916
Number of employees (persons)	8,086	8,135	8,507	8,694	8,399
Ratio of total pay for women to men	-	-	98%	99%	96%
Voluntary turnover rate	4.7%	4.5%	3.6%	5.5%	6.3%
Involuntary turnover rate	2.3%	2.7%	3.4%	3.4%	4.9%
Financing of RES by the corporate segment (PLN million)	12.7	46.5	975.6	303.6	1,560.9
Electricity consumption (kWh)	-	32,916,393	27,657,936	26,036,931	24,916,157
Water consumption (m ³)	-	80,707	74,669	61,653	42,235
Greenhouse gas emission reductions in scope I and II relative to the base year (2019) – market-based approach	-	-	-22.4%	-19.6%	-25.7%
Number of hours used for volunteering by employees	5,301	7,283	1,072	1,099	5,867



ESG Strategy

The area of ESG (*Environmental, Social, Governance*) is one of ING's priorities. We know that today's decisions and actions determine what the world of tomorrow will look like and what reality the next generation will find. In Q1 2022, we announced ING Bank Śląski Group ESG Strategy, which reflects our sense of responsibility for our impact and actions towards current and future clients, the world in which they will operate and therefore the environment and social environment.

The ESG strategy is part of our business strategy and follows directly from our bank's mission and values. It allows us to set a clear course of action and the goals we are pursuing and will pursue in the coming years: for ourselves, our clients, society and a sustainable world. The ESG Strategy covers environmental, social and corporate governance aspects in a three-year perspective with annual updates.

Creating an ESG Strategy is an important process for us and includes:

- analysis of the current degree of implementation of the priorities of the ESG Strategy and the Environmental Declaration,
- identification of strategic ESG directions of the ING Group at the global level in order to ensure a consistent approach in the ESG area,
- analysis of the external environment, including the formal and regulatory environment,
- materiality analysis based on dialogue with stakeholders.

These steps help define our key strategic priorities. The ESG strategy, including priorities, goals and measures, is approved by the ESG Council.

In line with the ESG Strategy, we continue to respond to the challenges of the modern world:

- E – Environment

We do not agree with environmental degradation. We are implementing the provisions of the Environmental Declaration. We are committed to tackling the effects of climate change and supporting our clients in their environmental transformation.

- S – Social responsibility

We support you in being entrepreneurial and help you manage your finances. We are levelling the social playing field. We care about the health of employees.

- G – Governance

We operate ethically based on values, principles, processes. Our priority is to comply with regulations and to act with reference to best market practice.

In the ESG strategy, we have set specific goals that we have pursued in 2022 and will continue to pursue in the coming years: for ourselves - we act and lead by example, our clients - we inspire and support them, and society - we build a better world together.



Targets on which we concerted in 2022

	Environment (E)	Entrepreneurship and equal opportunities (S)	Ethics and regulatory compliance (G)
Priorities WE (we act by example)	<ul style="list-style-type: none">• We run a sustainable economy of our own.• We digitise processes with an environmental impact in mind.• We take climate factors into account in our business decisions.	<ul style="list-style-type: none">• We create a working environment where we take care of well-being of employees (health, energy, activity and finances).• We support employees in being entrepreneurial.• We are committed to diversity and inclusion among the bank's employees.	<ul style="list-style-type: none">• We are building ESG awareness and culture among employees, developing ESG competences.• We integrate ESG into the bank's strategy, organisational structure, product design processes, risk management, purchasing policy and corporate governance.• We are adapting to regulation – risk, finance, compliance and client portfolio.
Key objectives	Achieve zero-carbon in Scope I and II by 2030.	Maintain the male-female pay gap indicator (wage gap) – 1% by 2024.	Designation of min. 1 ESG-related target for 100% of managers and 50% of employees by 2024.
Priorities CLIENTS (we inspire and support)	<ul style="list-style-type: none">• We are developing a pro-climate product offering for our clients.• We finance sustainable projects.• We support clients in their environmental transformation and in assessing how sustainable their business is.	<ul style="list-style-type: none">• We support clients in managing their finances and educate them on how to be entrepreneurial.• We facilitate technology and digital transformation for business clients.• We make banking easier for groups at risk of exclusion.	<ul style="list-style-type: none">• We build awareness and understanding of ESG business and regulatory issues among clients.• We care about the safety of our clients.
Key objectives	Allocating PLN 4.5 billion to finance RES and green projects in the corporate area in line with the Environmental Declaration by the end of 2023.	Full alignment of the Moje ING mobile app, the Moje ING online banking system and the bank's website with WCAG 2.1 guidelines by 2024.	Achieve client satisfaction of 4/5 from ongoing education activities by 2024.
Priorities COMMUNITY (building a better world together)	<ul style="list-style-type: none">• We support climate innovation (grants for startups and scientists).• We support local environmental action.	We support local community action.	We share good practice and knowledge through industry collaboration and with our stakeholders. We work out common solutions.
Key objectives	Implementing 6 editions of the grant programme and providing PLN 6 million by 2024.	150 volunteer actions within the framework of the Good Idea programme carried out with the ING Foundation for Children, 40 Smile Turns in Wisła organised by the Foundation until 2024.	Seeing ING as an active facilitator of the ecosystem, by periodically organising min. 10 national conferences in cooperation with NGOs and industry organisations by 2024.

An account of the achievement of the 2022 ESG Strategy targets (as one of the pillars of our Business strategy) is available [here](#). The implementation of the 2022 Environmental Declaration targets is described [here](#). We write about our client, community, employee, climate and corporate governance activities in individual sections of this Report.

We also write about our commitment in the ESG area on [our website](#).



Taxonomy disclosure

What is a Taxonomy?

Taxonomy is the colloquial name for a piece of European Union legislation – Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on establishing a framework to facilitate sustainable investment – that establishes harmonised pan-European principles for sustainable investment. These regulations are designed to increase the level of environmental protection by diverting capital from environmentally damaging investments to greener alternatives.

The taxonomy does not specify which activities are “good” and which are “bad”, but only describes in detail investments that are environmentally friendly. It is intended as a tool to support investors and entrepreneurs in making informed investment decisions towards actions that will contribute to the achievement of climate neutrality in the European Union by 2050.

The taxonomy does not prohibit investment in environmentally damaging activities, but gives additional preference to “green” solutions. The implementation of regulations defining what investments are environmentally sustainable will also make it possible to identify pseudo-environmental activities – concerning the unjustified claim by some entities that their activities are environmentally friendly, when there are no grounds for this – this phenomenon is called greenwashing.

On 30 December 2021, the EU Commission Delegated Regulation (2021/2178) to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council on establishing a framework to facilitate sustainable investment (later updated in March 2022) entered into force. It imposes an obligation on a number of European entities, including the banking sector and consequently ING Bank Śląski, to report both quantitative and qualitative information on environmentally sustainable business activities. This occurred for the first time in 2022 for 2021. The reporting of financial institutions in 2022, as well as in 2023, will be transitional, the scope of which is specified in Article 10 of the Delegated Regulation to Article 8 of the Taxonomy (in particular points 3 and 5).

Our business strategy and the Taxonomy

We have incorporated all the environmental objectives of the EU Taxonomy into our business strategy:

- climate change mitigation,
- adaptation to climate change,

- sustainable use and protection of water and marine resources,
- the transition to a circular economy,
- pollution prevention and control,
- protecting and restoring biodiversity and ecosystems.

As we are guided by its guidelines in developing our offer, our current lending activities are mainly focused on the first two environmental objectives, i.e. climate change mitigation and climate change adaptation. For these two purposes, the European Commission has adopted technical qualification criteria that allow a tailored design of our products. The relevance of these targets is reflected in the objectives of our Environmental Statement 2021-2023, which relate to funding for renewable energy, zero- and low-carbon transport and other pro-environmental targets.

The further development of our credit offer for objectives 3-6 is dependent on the expected publication of their eligibility criteria. This will allow the financing conditions to be shaped precisely and the relevant requirements to be taken into account in the product design process.

As part of our work with clients, we engage in a dialogue with them that takes into account the link between their environmental goals (including decarbonisation strategies) and the EU’s environmental objectives, which influences the structuring of the bank’s offering. Our intention is to provide funding to enable clients to transform their business to environmentally sustainable operations.

Due to data limitations, at the 2022 reporting stage we are unable to demonstrate that any activity or asset we fund fully meets the requirements for compliance with the Taxonomy.

We are aware of the challenges posed by the availability and quality of data to assess environmentally sustainable activities. Access to the data and possible further EU regulatory adjustments in this respect will have an impact on our business strategy and our lending decisions, including the setting of quantitative targets.

As at the date of the report, the bank had no quantitative targets in the form of GAR (Green Asset Ratio) and/or BTAR (Banking Book Taxonomy Alignment Ratio) for future investments in environmentally sustainable activities.



Our reporting obligations

In accordance with Article 10(3)(a), during the period 2022-2023 we are obliged, as a bank, to report exposures to the Taxonomy-eligible economic activities and Taxonomy non-eligible economic activities. Unlike the 2021 reporting, this year we are relying on the figures of these entities – the key performance indicators, the so-called KPI's – to report exposure to the companies. The year before, we split the activities into eligible and non-eligible for the Taxonomy on the basis of our own judgement, based on the main KPIs of each company.

There will be further refinement of reporting from 2024 onwards. From the exposure to the economic sectors described in the Taxonomy as Taxonomy-eligible, those that are Taxonomy-aligned. In order for an asset to be considered “green”, i.e. compliant with the Taxonomy, it must holistically meet the technical eligibility criteria of significant contribution and the “do no major harm” principle. In addition, in the case of exposures to entities other than households, they should also ensure that their activities are carried out in accordance with “minimum guarantees”.

In order to fulfil all these reporting obligations, we will rely on the data and information that our corporate clients will report, as well as data related to the characteristics of the object of financing obtained during the credit process in the case of exposures to households.

It is worth noting that the taxonomy reporting framework is still not a closed catalogue and the current regulations leave a lot of room for interpretation. The scope of disclosure will increase from year to year and market interpretation and practice will systematically evolve.

Mandatory taxonomic disclosures

In order to meet the requirements of Article 10(3)(a) this year, we first had to define what we meant by economic activities. As we did a year ago, we decided not to narrow down the analysis to only exposures to our corporate clients and their business activities, but also to include exposures to our retail clients, which in future could also be a component of the Green Asset Ratio numerator (GAR).

For our corporate segment exposures, as a first step we had to identify those corporate clients that are subject to the obligation to publish non-financial information according to Directive 2013/34/EU, as only these clients had to determine what proportion of their revenues (turnover), costs (operating expenses) and capital expenditures (capex) are related to the activities described in the Taxonomy. For this purpose, we have divided our Group's Medium and Large Enterprises and Strategic Clients into 3 categories, taking into account the country of domicile of the company. We verified Polish clients based on the provisions of the Accounting Act. We verified other clients

based in the European Economic Area based on the direct provisions of the directive. Clients outside the European Economic Area were not subject to further analysis.

In the next step, we divided on-balance sheet debt and equity exposures to these identified clients into those eligible and ineligible for the Taxonomy based on their key performance indicators, so-called KPI's. Based on *the EU Sustainable Finance Platform's Considerations on Voluntary Information for Taxonomy Eligibility Reporting*, we only used data on KPI's either reported by clients or obtained directly from clients in order to prepare the mandatory information in this regard. Due to the lack of sufficiently detailed data, at this stage we are unable to indicate to what extent the exposures eligible for the Taxonomy are divided between the two climate targets.

With regard to our exposures to households, we analysed the portfolio of loans secured by mortgages. In the case of retail mortgage-backed loans. Based on the data we had, we selected only those loans aimed at buying a property and exercising ownership of that property. All these exposures to households support the first climate objective of the Taxonomy, namely climate change mitigation.

Due to our cautious and conservative approach in selecting loans and debt securities for those described in the Taxonomy, we did not, as we did a year ago, review exposures to local authorities and households for building renovation.

We present the calculations of all indicators in the tables below in two variants: 1) in relation to total assets arising from consolidated prudential reporting, which amounted to PLN 217,282.6 million as at 2022 yearend, and 2) in relation to the denominator of the GAR Green Asset Ratio (published from 2024), which amounted to PLN 166,308.5 million as at 2022 yearend. Compared to total assets, the denominator of the GAR mainly excludes non-financial assets, allowances for expected credit losses and exposures to central governments, central banks and supranational issuers.



Taxonomic indicators

	Gross carrying amount (million PLN)	Percentage of total assets	Percentage of GAR denominator
Based on the key performance indicator related to turnover (KPI of turnover)*			
Exposures to Taxonomy-eligible economic activities	44,537.3	20.5%	26.8%
towards financial enterprises	101.8	0.0%	0.1%
towards non-financial enterprises	1,197.3	0.6%	0.7%
towards households	43,238.2	19.9%	26.0%
Exposures to Taxonomy non-eligible economic activities	4,213.7	1.9%	2.5%
towards financial enterprises	580.4	0.3%	0.3%
towards non-financial enterprises	3,633.3	1.7%	2.2%
Based on the key performance indicator related to capital expenditure (capital expenditure KPI)*			
Exposures to Taxonomy-eligible economic activities	45,333.7	20.9%	27.3%
towards financial enterprises	101.8	0.0%	0.1%
towards non-financial enterprises	1,993.7	0.9%	1.2%
towards households	43,238.2	19.9%	26.0%
Exposures to Taxonomy non-eligible economic activities	3,417.3	1.6%	2.0%
towards financial enterprises	580.4	0.3%	0.3%
towards non-financial enterprises	2,836.9	1.3%	1.7%

*For exposures to financial institutions there is no distinction between turnover KPI and capital expenditure KPI; for exposures to households KPI is not applicable.

In 2022, the share of Taxonomy-eligible activities in total assets was 20.5% based on the KPI of turnover and 20.9% based on the KPI of capital expenditure against 23.5% in 2021. We note the lack of full y/y comparability of the data due to the methodological differences explained above. Nevertheless, this is undeniably a consequence of an 8% y/y increase in total assets, with a 3-6% y/y decrease in the numerator due to a shrinking mortgage portfolio.

The following table sets out the other information subject to mandatory disclosure under Article 10(3) of the Delegated Regulation to Article 8 of the Taxonomy.

Other taxonomic information to be reported

	Gross carrying amount (million PLN)	Percentage of total assets	Percentage of GAR denominator
Exposures vis-à-vis central governments*	37,210.4	17.1%	22.3%
Exposures to central banks	5,004.3	2.3%	3.0%
Exposures to supranational issuers	8,126.7	3.7%	4.9%
Total derivatives	1,944.5	0.9%	1.2%
Exposures to enterprises that are not required to publish non-financial information**	79,274.1	36.5%	47.7%
Trading book, including derivatives	1,111.9	0.5%	0.7%
On-demand interbank lending	354.3	0.2%	0.2%

*Including exposures guaranteed by central governments; **Including clients who have not disclosed their key performance indicators.

The share of exposures excluded from the GAR denominator (vis-à-vis central governments, central banks and supranational issuers) in total assets decreased from 24.1% in 2021 to 23.1% in 2022. This was due to a lower government bond portfolio. On the other hand, the share of exposures to enterprises that are not subject to the obligation to publish non-financial information increased from 31.7% to 36.5% as a consequence of the rapid growth of lending in the corporate segment in 2022.

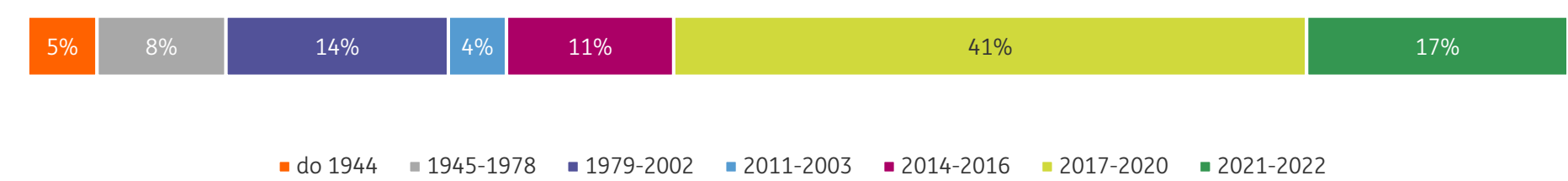
ING Bank Śląski's trading portfolio as at 2022 yearend was in line with the product mandate and consisted of interest rate derivatives, FX derivatives, FX spot and Polish and Czech government bonds. We note that, relative to the 2021 year-end figures, the portfolio of IRS transactions hedging loans that were granted to finance investments related to renewable energy sources has increased. The portfolio characteristics did not differ significantly from the average risk exposure during the year.

Additional voluntary disclosures

For information purposes, below is a breakdown of the portfolio of retail mortgage-backed loans eligible that are Taxonomy-eligible by year of construction. For this purpose, we use time frames that coincide with the years in which the relevant technical conditions for non-renewable primary energy demand are in force in Poland.



Structure of the portfolio of retail mortgage-backed loans that are Taxonomy-eligible by year of construction



In addition, we reviewed the financing provided to households (including micro-entrepreneurs) for the purchase of a car by ING Lease for eligibility for the Taxonomy. Based on the data at our disposal, we selected only those exposures that were granted no earlier than 2022 and financed the purchase of cars belonging to the M1, N1 or L categories. The gross carrying amount of these exposures at the end of 2022 amounted to PLN 339.3 million, representing 0.2% of total assets and 0.2% of the denominator of the GAR green asset ratio. They support the first climate objective of the Taxonomy, namely climate change mitigation, as do all exposures to households. Consistently following a prudent and conservative approach, we present these data on a voluntary basis, as the provisions of the Article 8 delegated act indicate the inclusion of only loans and advances in the GAR calculation for retail exposures.



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

Social area-related policies

ING Bank Śląski conducts social and charitable activities in priority areas in line with its ESG Strategy. We carry out activities both independently and in cooperation with community partners and with the support of two corporate foundations – the ING for Children Foundation and the ING Polish Art Foundation. In 2022, due to the war in Ukraine and the huge need for immediate assistance for refugees, ING Bank Śląski has taken additional action for refugees and the affected, with special support for children from Ukraine.

We attach great importance to the transparency of our activities. We work with organisations that declare their compliance with anti-corruption, ethical and environmental standards. In the process of establishing cooperation, we ensure due diligence and also cooperate with the Compliance Expert Centre. Charitable financial donations are made on the basis of ING Bank Śląski S.A.'s Donations Policy in place at the bank, with a Donations Committee of five members participating in the process each time and making the decision by majority vote. Depending on the size of the donation, board members or the entire board are involved in the decision-making process.

#Help Ukraine – action for war victims

Since the first days of the war, ING Bank Śląski and the ING for Children Foundation have been involved in various activities for Ukraine. They support charities and provide support to refugees in Poland.

ING Bank Śląski has implemented products and services for refugees from Ukraine and is also implementing the economic sanctions imposed on Russia. In the first days of the war, ING Bank Śląski donated PLN 1 million to organisations supporting and caring for refugees in Poland. Donations were received by four organisations: Foundation of the Mother and Child Institute, Polish Medical Mission, SOS Children's Villages, Union of Ukrainians in Poland. In addition, the bank donated PLN 500,000 for structural solutions to support refugees in the first wave. The money was used to buy the most necessary items for the reception desks, where the bank's volunteers often helped out.

Starting on 28 February 2022, together with the ING for Children Foundation, ING Bank Śląski has launched a fundraiser for those affected by the war in Ukraine. The bank has pledged to double the amount it collects. By 30 June 2022, the closing date of the collection, nearly PLN 5.4 million had been received, which when doubled gave a total of PLN 10.8 million.

The money collected went to organisations that help refugees, especially children. Support was received:

- UNICEF Poland humanitarian aid – PLN 3 million,

- Polish Humanitarian Action (PAH) to support refugees – PLN 3 million,
- Teach for Poland for long-term support for the education and integration of Ukrainian children in Poland – PLN 500 thousand,
- Digital Dialogue Association for long-term support for the education and integration of Ukrainian children in Poland – PLN 500 thousand,
- Polish Migration Forum for psychological, legal, educational assistance and organisation of leisure activities – PLN 500 thousand,
- Survation Foundation for psychological, legal, educational assistance and organisation of leisure activities – PLN 500 thousand,
- Sława and Izka Wołosiański Humanosh Foundation for help for Ukrainian hospitals to help Ukrainian hospitals – PLN 1.5 million, to help Ukrainian hospitals – PLN 1.5 million,
- Bajtel – Mysłowice Helps Foundation for the purchase of an ambulance for the hospital in the city of Tłumacz – PLN 150 thousand,
- Unaccountable for the purchase of an ambulance for medical services – PLN 150 thousand,
- Avalon Foundation to support children with disabilities as part of its Centre for Assistance to Refugees with Disabilities – PLN 200 thousand,
- Dr Piotr Janaszek PODAJ DALEJ Foundation for children with disabilities and their families affected by war – PLN 200 thousand,
- DOZ I Care About My Health Foundation for the purchase of medicines and other products available in Polish pharmacies for children from Ukraine – PLN 400 thousand,
- Special School and Educational Centre for Disabled Children and Youth in Dąbrowa Górnicza to support blind children from Ukraine – PLN 20 thousand,
- Paediatrics Department of the Municipal Hospital in Ruda Śląska for the purchase of hygiene and care products for young Ukrainian patients – PLN 20 thousand,



- Purchase of hygiene products for children – for the reception point in Warsaw – PLN 16 thousand,
- Happy Kids Foundation to organise professional care for children from Ukrainian orphanages in Poland – PLN 110 thousand.

The remaining amount was donated to the ongoing needs of Ukrainian children staying at the Foundation’s Centre in Wista.

ING Bank Śląski provided assistance to ING employees of Ukrainian origin through a financial benefit of PLN 1,000 per person (family member) to bring their family back from the war zones and to finance the purchase of necessary items (clothing, hygiene products, food). The bank also provided assistance in transporting the family member from the reception point to the place of residence in Poland, support in finding and renting a flat and covering the rental costs, as well as providing medical and legal care.

ING Bank Śląski employees who hosted refugees received, among other things, a benefit in the form of gift vouchers worth PLN 300 for each person hosted and PLN 500 for each school-age child, psychological support, extra days off to volunteer – to run official errands for guests.

In order to better and more efficiently deliver aid, staff created the “I support visitors from Ukraine” community for sharing information, exchanging good practices and proven ways to solve problems, as well as a platform for aid – shopping for Ukraine.

The ING for Children Foundation welcomed 22 children from the Children's Home in Zaporozhye to the foundation centre in Vistula on 6 March 2022, and published a bibliotherapeutic book in Ukrainian entitled “Lucjan. The Lion One of Its Kind”.

Charitable donations – policy and outcomes

In 2022, ING Bank Śląski made charitable donations of a financial and in-kind nature. The bank made 26 charitable financial donations. Donations were made on the basis of *ING Bank Śląski’s Donations Policy*.

The bank’s chosen areas for social investment are:

- activities for children and young people, including holidays for children and young people,
- science, education, education and upbringing – especially in the area of financial and climate education,
- health protection and prevention,
- environmental protection, combating climate change
- financial support in case of special events in which a worker or a member(s) of his family is affected.

The Donations Policy sets out the roles of the Donations Committee, the Bank’s Executive Office and the Management Board in the process, the due diligence requirements and the decision-making process. Each time a charitable donation is made, the Centre of Expertise – Compliance and the Donations Committee (made up of 5 representatives of the bank) are involved, as well as, depending on the amount, two members of the bank’s management or Management Board. ING Bank Śląski made charitable donations in 2022 totalling PLN 2.2 million (value not including corporate foundations).

Objectives that the bank supported through donations, in selected areas of social investment in 2022:

- support and aid to Ukraine – 6 donations worth PLN 1 million,
- activities for children and young people, including holidays for children and young people – the bank made 6 donations worth PLN 65,000,
- science, education, education and upbringing – especially in the area of financial and climate education – the bank made 4 donations totalling PLN 724,000 (of which PLN 668,000 came from the ING Group Grant),
- health care and prevention – the bank made 8 donations totalling PLN 183,000,
- financial support in the event of a special event in which an employee or his/her family member(s) were affected – the bank made 2 donations totalling PLN 200,000.

Among the activities supporting science, education, education and upbringing – particularly in the area of financial and climate education – were donations to the Exempt From Theory Foundation, the Foundation for the Development of Knowledge Society “THINK!”, the Warsaw Banking Institute for the Bakcyl programme and Cybersecurity. In the area of healthcare, donations were received by foundations that have been carrying out socially valuable activities for the improvement of health for many years, such as the Professor Zbigniew Religa Foundation for Cardiac Surgery Development and Polish Foundation of Gastroenterology. Zbigniew Religa in Zabrze and the Polish Gastroenterology Foundation.

ING Bank Śląski continued its support of regional and local charities, including support for the Dr. Piotr Janaszek PODAJ DALEJ Foundation, West Pomeranian Hospice for Children and Adults Foundation in Szczecin, Home Hospice for Children in Opole.

The bank also made donations to the activities of two corporate foundations:

- for the ING for Children Foundation in the amount of PLN 9.7 million (including an amount of PLN 5.4 million resulting from the doubling of the #Help Ukraine collection),
- for the ING Polish Arts Foundation in the amount of PLN 1.3 million.



In 2022, the bank also made in-kind donations of end-of-life IT equipment (in good working order) and office furniture mostly to schools, care facilities and charities. The value of IT equipment donated to foundations, associations and care facilities amounted to PLN 175,000. The bank donated 160 PCs, 230 monitors, 260 laptops and 40 printers. In-kind donations were made on the basis of the *Procedure for resale / donation / disposal of assets at ING Bank Śląski*.

Employee volunteering

ING Bank Śląski and other companies of the ING Bank Śląski Capital Group provide all employees with the opportunity to use 8 hours a year for volunteering, in accordance with the Work Regulations of ING Bank Śląski and the work regulations of other Group companies. Each employee who takes advantage of this opportunity registers time for volunteering in the internal system. Employees who volunteer at the ING Foundation for Children are covered by insurance.

Number of hours used for volunteering					
	2018	2019	2020	2021	2022
Bank	5,221	7,176	1,072	1,045	5,608
Group	5,301	7,283	1,072	1,099	5,867

Employee issues-related policies

Every day, the ING Bank Śląski brand is created by over eight thousand people. We employ not only financiers. In our modern organizational structure, there is room for various professions and for employees with various interests and passions that contribute to increasing efficiency, increasing commitment to work, striving for development and innovation.

The principles of organizing our work are defined in the Organizational Regulations of ING Bank Śląski S.A. It contains an organizational chart, as well as the basic rules that guide us when organizing mutual cooperation. We create space for all employees to be independent and responsible.

We focus on building the skills and commitment of our employees in such a way that they can achieve the goals and strategy of our organization, while developing and caring for their overall well-being. We strive to provide the best working conditions. We support employees in leading a healthy lifestyle and encourage them to take care of their health at work and outside.

We make sure that the salaries of our employees are at the market level. Our remuneration policy is based on treating all employees fairly. By managing performance, we support the process of attracting, motivating and retaining talented employees, as well as their development.

The most important internal documents regarding the shaping of working conditions and remuneration in the ING Bank Śląski S.A. Group include:

- Remuneration Policy at the ING Bank Śląski S.A. Group
- Regulations of Remuneration of Employees of ING Bank Śląski S.A.,
- Employee Evaluation regulations of ING Bank Śląski S.A. (Step up),
- Work Regulations of ING Bank Śląski S.A.,
- Hybrid Working Regulations at ING Bank Śląski S.A.
- Procedure for the Organisation of Internships and Placements in the ING Bank Śląski S.A. Group,
- Regulations of the Employee Referral Scheme at ING Bank Śląski S.A.,

Other regulations concern areas related to employee fringe benefits in the form of a cafeteria programme and assistance benefits as part of the operation of the Company Social Benefits Fund, as well as the granting of benefits in connection with disability.

The document defining the remuneration principles is the Remuneration Policy in the ING Bank Śląski S.A. Group. This policy sets out the key assumptions for shaping the remuneration policy used to attract and retain employees by ensuring a market-competitive level of remuneration, and defines the components of remuneration. The remuneration policy applies to all employees of the ING Bank Śląski S.A. Group, excluding members of the Management Board of ING Bank Śląski S.A.

Since 2020, the bank has been operating a resolution adopted by the Ordinary General Meeting of ING Bank Śląski S.A. *Remuneration Policy for Supervisory Board and Management Board Members of ING Bank Śląski S.A.* The policy sets out the principles for the remuneration of members of our bank's governing bodies. The latest amendments to the Policy were adopted by Resolution of the Annual General Meeting of ING Bank Śląski S.A. No. 32 of 7 April 2022. The changes made related to the level of remuneration for members of the Supervisory Board, changes to the incentive programme for members of the Management Board and clarification of the provisions relating to the link between the total remuneration of members of the Management Board and that of other employees.

The remuneration of a member of the Bank's Management Board is determined in accordance with *the Regulations for the Remuneration of Members of the Management Board of ING Bank Śląski S.A.* adopted by the Bank's Supervisory Board. The latest amendments to the Regulations were made by Resolution of the Supervisory Board



No. 106/XIV/2022 of 18 November 2022. The Regulations are a clarification of the rules resulting from the *Remuneration Policy for Supervisory Board and Management Board Members of ING Bank Śląski S.A.* and at the same time constitute the implementation of the *Variable Remuneration Policy for the Identified Staff of ING Bank Śląski S.A.*

In determining the level of remuneration of the Supervisory Board members and allowances for additional functions on the Board, market medians for these positions in the banking sector are taken into account, taking into account the scale of the Bank's activities and its financial position. Supervisory Board members' remuneration is analysed annually based on Sedlak & Sedlak's independent remuneration report, which presents financial data from the banking sector on remuneration levels and fringe benefits.

We offer our employees a very attractive benefits package, including high-standard medical care. We have more favourable arrangements for compassionate leave than the law provides.

We support employees, including in difficult life situations, by offering them additional days off: For those caring for loved ones with a certified moderate or severe disability, we offer the possibility to take an additional 2 days off work when caring for a spouse/partner, parents, in-laws or grandparents. In the case of caring for a child with a recognised disability, the employee may benefit from an additional 5 days of care. Taking care of our employees with a certified slight degree of disability, we offer an additional 3 days off, retaining the right to remuneration.

Our approach to diversity is defined by the *ING Diversity Manifesto*, which has been adopted across all ING Group entities globally, and the *Diversity Policy*, which defines the areas and how we manage diversity in our bank. In ING we believe that everybody has large potential they can make full use of. We expect however that our employees will treat one another with kindness and respect.

At ING, we are creating an adaptive learning organisation, giving employees the opportunity to develop key capabilities and skills that both help deliver strategic objectives and provide personal satisfaction. To support the implementation of the bank's strategy and unleash the full potential of our employees, we provide the right environment in which our staff can develop and create the best version of themselves. Our strategy of self-management of their development encourages employees to develop skills in a continuous and integrated way that is appropriate to emerging changes and allows us to respond adequately to needs. We want our employees to develop curiosity and be advocates for learning, sharing knowledge and teaching others in their current and future roles (#doyourthing). We complement the solid foundations with an attractive package of wellbeing activities, in addition to the benefits, perks and a wide range of development programmes on offer.

If Group entities are not included in the common policies, separate regulations tailored to the organisational needs of the individual companies apply in all Group entities, which remain consistent with the banking policies.



Policy outcomes

Policy deliverables of employee issues-related policies					
	2018	2019	2020	2021	2022
Number of employees (persons)					
Bank	7,665	7,690	8,053	8,248	7,961
Capital Group	8,086	8,135	8,507	8,694	8,399
Ratio of total pay for women to men					
Bank	-	-	98%	99%	95%
Capital Group	-	-	98%	99%	96%
Voluntary turnover rate					
Bank	4.7%	4.8%	3.4%	5.6%	6.0%
Capital Group	4.7%	4.5%	3.6%	5.5%	6.3%
Involuntary turnover rate					
Bank	2.2%	3.2%	3.4%	3.4%	5.1%
Capital Group	2.3%	2.7%	3.4%	3.4%	4.9%

The change in the methodology for calculating the turnover rate is due to a more consistent approach to reporting employee departure data within the bank. The fundamental change is to divide the departure rate into two categories: voluntary departures, i.e. those at the employee's initiative, and involuntary departures, i.e. those at the employer's initiative. In addition, the average number of employees per year was used in the calculation of the indicator instead of the year-end balance. The modification of the methodology allows a more accurate assessment of changes in the indicator over time and trend analysis. The change in methodology was introduced from 2022. Indicators from previous years have been retroactively adjusted according to the new methodology for calculating turnover.

In 2022, the ratio of female to male salaries at ING Bank Śląski Capital Group will be 96% (compared to 99% in 2021).

As for 2020 and 2021, the indicator has been calculated for the total salaries (hourly rate) of the employees remaining in employment as at 31 December 2022, in accordance with the manner of reporting to the Stock Exchange. The method of calculation is an average of salaries weighted by the number of women and men in each staff grade. Other assumptions used in the calculation include: conversion of salaries to full-time for part-time employees, annualisation of salaries for part-time employees in 2022.

The change in the pay gap from 99% in 2021 to 96% in 2022 was mainly influenced by changes in the workforce structure, particularly transfers of employees between grades (promotions). An important element influencing this ratio is the bonus paid, which is not calculated for newly hired employees and women on long-term absences in accordance with the applicable regulations.

In addition to the gender pay gap indicator, the bank conducts an in-depth analysis on *equal pay for equal work*, which shows a pay mismatch rate of 0.5 per cent for the same jobs, grades, competencies.

ING Bank Śląski is taking steps to ensure that the gender pay gap is reduced over time. One of the Board's annual objectives in recent years has been to ensure that there is an appropriate gender balance in senior management succession plans. From 2022 onwards, we started analysing the salaries of employees occupying positions with the same profiles, identifying those who earn statistically more or less for a given profile, also relative to the opposite sex – the results of the analyses are one of the elements analysed by managers when making decisions on salary increases. The Bank has a number of diversity and inclusion initiatives in place to equalise opportunities for women and men and to build awareness among managers and employees of the Bank's gender non-discrimination policy.

Human rights policies

We are aware that our activities affect many stakeholder groups, including clients, employees or 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. We act with respect for international standards – the Universal Declaration of Human Rights and the principles of the United Nations Global Compact.

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. In 2019, the *Policy for a Caring Work Environment Free of Discrimination and Mobbing*; and the *Procedure Governing How to Act in the Event of Suspected Adverse Events* came into force. Each employee is required to take the e-learning course “Work free of discrimination and bullying”.

The *Work Regulations* 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 present in many banking processes, such as the employee appraisal system, is an important part of the recruitment process and is part of the organisational culture. This also applies to employees of subsidiary companies.

Human rights are inextricably linked to the promotion of diversity. That is why we actively advocate for non-discrimination, equal opportunities, inclusion of people with disabilities and respect for diversity. We are a signatory to the Diversity Charter. Our Diversity Policy:

- defines diversity management focus areas at the Bank;



- lays down the way of diversity management at our Bank;
- integrates all actions, including processes, procedures and other documents, that are associated with diversity management at our Bank;
- ensures equal treatment and friendly work environment for all employees and candidates for employees;
- supports the organisation in building the awareness of the principles of equal treatment at work, which means no discrimination in any manner whatsoever, both direct and indirect, because of: gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political convictions, trade union membership, sexual orientation, gender identity, family status, lifestyle, form, scope and basis of employment, other cooperation types and other triggers of discriminatory behaviours,
- applies to all employees, regardless of their position, with a particular focus on the bank's authorities and key managers, as well as candidates applying to ING,
- is regularly monitored, every six months.

In 2016, we adopted the ING Diversity Manifesto – it explains what diversity is for ING, why it is important and necessary, and what employees can do to promote it. To stay one step ahead, we need teams that are a healthy mix of different perspectives and backgrounds. Such teams are more creative, adapt to changes faster, and the solutions they propose are more innovative.

In terms of client relations, we aim for full availability of our products and services. In offering our services, we pay attention to the needs of all client groups. As a financial institution, we also have an impact on respect for human rights by refusing to finance investments that do not comply with our principles. 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. Vendors thus commit themselves to basic standards. These include respecting human rights, complying with applicable law, including labour rights, in their relations with employees, as well as respecting their personal dignity, privacy and individual rights. The vendor should also provide a safe and health-friendly workplace for its employees and take

care to protect the environment by aiming to minimise the environmental load of its operations and taking measures to improve it. Moreover, vendors should observe prohibition of forced labour, child labour, corruption, and discrimination.

Policy deliverables

- The bank was included in the next edition of the Diversity & Inclusion Rating. Diversity&Inclusion Rating is an initiative of Responsible Business Forum, which was created in cooperation with Deloitte experts. In the last edition, the bank was named among the six companies surveyed that scored 80% of the possible points. The initiative brings together stakeholders drawing strength from the various dimensions of diversity, allows for an assessment of a company's level of maturity in diversity management and inclusive organisational culture and also provides a summary of activities in this area. The questionnaire that was completed by the companies consisted of 4 parts: the rudiments of management, Programmes and activities, commitment building and performance indicators.
- We were also ranked in the 'Cashless for Equality' report at the top of a ranking of companies that care about professional and social equality for LGBT people.
- We were also recognised for our work on gender equality in business and were included in the global Bloomberg Gender-Equality Index (GEI). The bank's gender equality activities have been assessed by independent experts. ING's presence in the Bloomberg GEI index is the result of high scores in a survey on five areas of the company's performance: women's leadership and talent development, equal pay, inclusive work culture, gender protection policies and a pro-woman brand. The index analyses the performance of public companies with a capitalisation of more than USD 1 billion that provide data on employee gender. Only companies that have achieved a score that meets or exceeds a globally defined threshold qualify for the prestigious index.
- Each of us, anonymously or by name, may report irregularities related to material breaches of labour standards, internal regulations, as well as ethical standards in the bank's business practices. We can do this through channels such as: Whistle (electronic form on the intranet site) and e-mail notification to the Mobbing-Discrimination box. Applications by name are assured of confidentiality and discretion. In the Whistle app, you can also make a report anonymously. The President of the Management Board is informed about each report from the Whistle application, who makes decisions on explanatory actions and accepts their result. The report sent to the Mobbing-Discrimination mailbox goes to the representatives of the HR area. In the years 2017-2020, none of the applications that we received as part of the "Whistle" application was classified as "discrimination". We also did not receive such reports to the Mobbing-Discrimination e-mail box.



In 2021, we received one report of pay and gender discrimination. The notification was not confirmed. The 2022 Mobbing-Discrimination box received four submissions. Investigations were carried out and none of the reports confirmed bullying. In addition, 3 submissions made by the Whistleblower were included in the Discrimination category. All were found to be unfounded.

- 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*.

Natural environment related policies

At ING, we regard active participation in climate and environmental action as an important part of our responsibility. We promote solutions related to sustainability. We develop and offer products that support environmental activities and responsibly manage environmental risks. Environmental degradation measurably and negatively affects our lives. If we do nothing about it, future generations will have to deal with the growing climate crisis. We feel that caring for the environment and the future of our planet is our shared responsibility. That is why in July 2021, the ING Bank Śląski S.A. Group announced a new Environmental Declaration. In the document, we upheld the basic tenets of the 2017 Declaration and committed to specific goals in the coming years.

Status of achievement of the goals from the Environmental Declaration as at 2022 yearend

We have been consistent in implementing our commitments in the Environmental Declaration.

In 2017, we declared that by the end of 2025, we would gradually reduce (until full repayment) our existing credit exposures to clients whose business is directly dependent on thermal coal by more than 5%. As at 2022 yearend, our on-balance-sheet exposure to such clients was PLN 322 million gross, down 81% y/y, while our off-balance-sheet exposure was PLN 116 million, down 86% y/y. The balance sheet exposure as at 2022 yearend represents 0.35% of gross receivables from corporate segment clients compared to 2.13% a year earlier. This significant reduction in exposure is due to repayments made by clients classified as coal and changes in client classification. Due to the merger that took place in the market in 2022, the exposure to a client classified as a coal client prior to that year is no longer recognised as a coal client due to the fact that this client as a legal entity has ceased to exist and its general successor does not meet the definition of a coal client. As at 2022 yearend, this exposure – understood as the amount of the allocated limit – amounted to PLN 1 billion, of which PLN 800 million remained as unused.

In 2021, we committed to reduce the share of our funding to the fossil fuel industry by 19% by 2040 with respect to 2019. We know that the use of fossil fuels is harmful to the environment. Such fuels include gas. It is a transitional

fuel for the Polish economy, thanks to which the energy transition of local businesses towards renewable energy sources can take place in an adaptive and well-planned manner. We want to help our clients effectively implement transformational change, while not compromising on environmental goals. As at 2022 yearend, our on-balance sheet exposure to *upstream oil and gas* clients was PLN 5.4 million gross and decreased by 42% comparing to 2019, while our off-balance sheet exposure was PLN 0.5 million and decreased by 98% comparing to 2019. The balance sheet exposure as at 2022 yearend represents 0.01% of gross receivables from corporate segment clients.

In addition, in accordance with the exclusion policy, out of concern for the environment, the bank does not finance other activities related to tobacco cultivation and production and with a negative impact on protected areas, forestry or animal welfare.

By the end of 2022, we have allocated:

- Between 2015 and 2022, we have allocated PLN 3.2 billion in the corporate area to finance Renewable Energy Sources and environmental projects. Our target for the end of 2023 is PLN 4.5 billion.
- PLN 524 million to support Local Government Units in investing in pro-environmental projects. Our target for the end of 2023 is PLN 500 million.
- PLN 242 million for further support and promotion of electromobility – financing of electric and hybrid vehicles by ING Lease Polska, including construction of charging stations and promotion of driving electric vehicles. Our target for the end of 2023 is PLN 300 million.

The bank will implement an offer for financing prosumer energy projects in the retail client segment. Currently, clients can take advantage of the Eco loan offer, which can be used for, among other things, photovoltaic installations. In addition, for private clients we have a mortgage for energy-efficient homes (Eco-mortgage loan).

We included residential lending in 2021 in TERRA, ING Group's initiative to, among other things, adopt long-term decarbonisation targets for lending in line with the Paris Agreement.

We intermediate the sale of investment products based on ESG criteria – these are investments in funds that comply with Articles 8 (funds promoting sustainable development) and 9 (impact funds) of the SFDR. As at 2022 yearend, assets of PLN 262 million represented investments in funds compliant with Articles 8 and 9 of the SFDR.

We organised two editions of the Grant Programme (1st edition – how we can ensure clean and accessible energy, 2nd edition – how we can ensure sustainable production and consumption) and disbursed grants totalling PLN 2 million to start-ups and young Polish scientists for sustainable development projects. In addition, we provided start-ups and scientists with training on topics such as business models, experimentation, as well as media promotion and contacts with business partners.



One of the objectives set out in the new Environmental Declaration is to achieve climate neutrality by 2030 in terms of Scope I and Scope II (for a summary of the 2022 measures, see subsection Impact of operating activities on the natural environment and climate). In 2022, we have reduced our Scope I and II carbon footprint by 25.7% (*market-based* approach) relative to the base year (2019).

As part of our educational activities, together with the ING for Children Foundation in 2022, we donated 7,500 copies of the children's book "You too can save the world. Eco-tales from Petrushka Wola", published by our bank. Our target from the Environmental Declaration by the end of 2023 is 25,000 copies. In addition, we created an electronic version of the book and published an audiobook. We are currently promoting the book in an online version on the foundation's website.

It will also implement a climate change education programme for several hundred primary schools between 2021 and 2023 together with external partners. We will continue to actively support employee volunteering.

Supporting climate innovation

We want to help people to be one step ahead in life and in business. We are convinced that only by working together can we take care of our common good – the environment – which is why we actively support innovative climate action.

ING Grant Programme for start-ups and young researchers

In the Environmental Declaration announced in 2021, we pledged, among other things, to create a Grant Programme for start-ups and young scientists, for projects in the area of sustainable development, with an annual budget of PLN 2 million. The first two editions were held in 2022. In each of them, we have allocated prizes worth a total of PLN 1 million to the best solutions responding to the competition challenge – the selected UN Sustainable Development Goal. In the first edition it was clean and accessible energy (SDG 7), in the second edition it was sustainable production and consumption (SDG 12).

What sets the Programme apart is its focus on supporting not only start-ups, but also young researchers. We help you go from an innovative idea to a thriving business. In creating the formula for the ING Grant Programme, we researched the needs of start-ups and researchers. We have found that teams creating solutions that are good for the planet need grants to develop ideas, mentoring, business partners and promotion. We have included all these elements in the Programme.

The ING Grant Programme has been very popular, with 197 applications for the first edition and 155 for the second edition. The solutions and ideas promoted through the Programme reach a wide audience, raising awareness of the UN Sustainable Development Goals. The programme supports the popularisation in Poland of the idea of entrepreneurship and business, creative thinking – particularly focused on how to create and develop innovative solutions in the area of ESG.

You can read more about the ING Grant Programme [here](#) (Polish link).

Zero Waste Map

January 2022 saw the launch of the first nationwide Zero Waste Map, co-created by ING Bank Śląski and the Polish Zero Waste Association, as well as all those who submit zero waste points for inclusion on the map. It is a useful tool for those who want to easily find and use the services of environmentally friendly companies and for all businesses that try to go zero waste, sell goods by weight, for their own packaging or provide repair services. The map is available at [this address](#). The campaign promoting the map was also kept in the spirit of zero waste. To promote this idea, we invited Kasia Nosowska, who recorded the song-manifesto "Enough". Our aim is to encourage Poles to take planet-friendly actions – reusing things and giving them a second life, saving money and resources or using artisans. By the end of 2022, 3,175 points were reported on the map.

Implementation of the Environmental Declaration – own operations

In the Environmental Declaration, a commitment was made that by 2030 the bank would achieve Scope I and II (market-based) climate neutrality through the implementation of concrete measures. To this end in 2022:

- we have replaced 213 company cars with hybrids. As a result, in 2022 our eco-fleet accounted for 82% of all company cars in the bank.
- We have been working on a new eco-policy in the area of business travel (it was adopted by the Board in January 2023), which excludes air travel of less than 500 km.
- We carried out an energy efficiency audit for the buildings at 34 Sokolska Street and 50 Chorzowska Street in Katowice.
- We replaced the air handling units with heat recovery units in the building at 50 Chorzowska Street in Katowice.
- We are aiming for 100% of the energy purchased by the bank and its subsidiaries to come from renewable sources. Since 2016, in order to fulfil this provision, we have been purchasing certificates and guarantees of origin certifying that the electricity comes from renewable sources.

In addition, we continued:

- the use of state-of-the-art air conditioning and ventilation technology,
- modernizing office space using: Buzzi Shade (sound-absorbing) lamps – recycled, acoustic plaster (the insert is made of material containing 75% or more recycled material),



- replacing standard fluorescent lighting with led lighting and installing motion detector lighting in office areas,
- education and awareness-raising initiatives for climate neutrality.

In line with our Environmental Declaration 2021, we are working to reduce our carbon footprint – we have committed to achieving climate neutrality by 2030 in Scopes I and II (market-based). In addition, we want to achieve climate neutrality for all three scopes by 2050. In the previous report, we cited our emissions (for 2019-2021) based on calculations by an external company (Krajowa Agencja Poszanowania Energii S.A.). In this year's report, we present our calculations for both 2019-2021 (we explain the changes below) as well as estimates for 2022.

Greenhouse gas emissions

In line with our Environmental Declaration 2021, we are working to reduce our carbon footprint – we have committed to achieving climate neutrality by 2030 in Scopes I and II (market-based). In addition, we want to achieve climate neutrality for all three scopes by 2050. In the previous report, we cited our emissions (for 2019-2021) based on calculations by an external company (Krajowa Agencja Poszanowania Energii S.A.). In this year's report, we present our calculations for both 2019-2021 (we explain the changes below) as well as estimates for 2022.

Updated calculations for 2019-2021 for the own operations

Due to detected errors in the base year calculation duplicated in 2020 and 2021 and the inclusion of previously unreported areas in the reported data, we decided to recalculate the previously reported values for 2019-2021. In connection with:

- we have obtained as much actual consumption data as possible for all identified locations,
- we estimated consumption for locations and periods for which we did not have actual data.

The recalculations applied to all three scopes, which we explain in detail in [this document](#) (it also contains detailed information on the methodology adopted and on the data sources for the *Global Warming Potential* indicators, among others).

In addition to recalculating the data in the existing ranges (which helped to improve the quality of the data for the individual years), we decided to expand the analysis of CO₂e emissions in range III to include category 3 (transmission losses; WTT – *Well-to-Tank*) and the refinement of categories 5 and 6. This resulted in a significant increase in Scope III emissions relative to previously reported values. In contrast, we have also included emissions from purchased refrigeration in the calculation of Scope II emissions.

The table below shows the change in calculated emissions values for all three ranges between 2019 and 2021. In the remainder of this report for 2019-2021, we will refer to the data in their updated values.

Quantitative information on CO₂e emissions update for 2019-2021

tonnes of CO ₂ e	2019	2020	2021
Data before recalculation			
Scope I	5,271.3	3,472.4	3,283.1
Scope II – market-based	6,025.0	4,944.0	4,806.4
Scope II – location-based	28,976.2	24,112.2	22,310.2
Scope III	746.7	171.7	153.9
SUM (I-III) – market-based	12,043.0	8,588.1	8,243.4
SUM (I-III) – location-based	34,994.2	27,756.3	25,747.2
Data after recalculation			
Scope I	5,218.5	3,427.4	3,222.6
Scope II – market-based	6,536.5	5,692.6	6,229.1
Scope II – location-based	28,175.8	23,570.9	22,559.9
Scope III	6,529.7	4,806.6	6,389.4
SUM (I-III) – market-based	18,284.7	13,926.6	15,841.1
SUM (I-III) – location-based	39,924.1	31,804.9	32,171.9
Dynamics of change			
Scope I	-1.0%	-1.3%	-1.8%
Scope II – market-based	8.5%	15.1%	29.6%
Scope II – location-based	-2.8%	-2.2%	1.1%
Scope III	774.5%	2699.2%	4050.9%
SUM (I-III) – market-based	51.8%	62.2%	92.2%
SUM (I-III) – location-based	14.1%	14.6%	25.0%



Current methodology

Emissions calculations are now prepared and reported in accordance with [The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard](#). The calculation includes the bank and its subsidiaries (operational control). There are no direct CO₂ emissions from biogenic combustion in our emissions. We have adopted 2019 as the base year. For the preparation of the emissions estimate, we analysed the consumption of energy carriers in stationary sources for heating (natural gas, fuel oil, coal), the consumption of liquid fuels to power the car fleet (petrol, diesel) and generators (diesel), and the loss of refrigerant from air-conditioning equipment. For scope II of the analysis, we analysed the amount of electricity, district heating and cooling purchased. For scope III of the report, we focused on emissions related to employee business travel (by rail, air, taxi and coach and private car), as well as water consumption, paper consumption and the amount of waste generated. In scope III, we also include emissions related to energy and fuels not included in scopes I and II (WTT).

Calculations have been made assuming an operational approach and adopting a market-based method for calculating Scope II GHG emissions. In 2019, the bank obtained guarantees of origin for electricity from RES covering 97% of the total volume of consumption. Between 2020 and 2022, the bank entered into an agreement with an energy seller for the purchase of an Eco-Premium product guaranteeing the supply of energy exclusively from renewable sources (which was documented by relevant certificates), while for the remaining volume of electricity the bank purchased guarantees of energy origin.

Data for 2019-2021 includes a full calendar year. For 2022, we did not have full information on actual consumption, so we adopted estimates where necessary. We will update the calculations for 2022 with the completed actual consumption in the 2023 report. a source report with comprehensive information on the methodology, data sources (including *Global Warming Potential* indicators) and calculation results for 2022 is available at [this link](#).

The methodology of our calculations was verified by Bureau Veritas Poland (the verification report is available at [this link](#)).

Breakdown of CO₂e emissions by gas and pollutant for own operations

Emissions from greenhouse gases not included in the Kyoto Protocol				
kg	2019	2020	2021	2022
Total dust	9.09	7.96	7.45	6.22
PM10 dust	8.94	7.82	7.30	6.22
PM2.5 dust	8.68	7.57	7.05	6.22
Carbon monoxide (CO)	413.93	394.85	361.71	342.23
Nitrogen oxides (NO _x /NO ₂)	673.74	628.54	567.02	547.30
Sulphur oxides (SO _x /SO ₂)	94.96	52.48	56.53	52.09
Benzo(a)pyrene	0.00	0.00	0.00	0.00
Non-methane volatile organic compounds (NMVOC)	1.87	1.68	2.01	2.47
Ammonia (NH ₃)	0.37	0.32	0.38	0.47
Lead (Pb)	0.00	0.00	0.00	0.00



CO₂e emissions – breakdown of gases emitted (included in Kyoto Protocol) for own operations

	Total (tonnes of CO ₂ e)	CO ₂ (tonnes)	CH ₄ (tonnes)	N ₂ O (tonnes)	HFCs (volumes)
2019					
Scope I*	5,218.5	4,571.9	0.2	0.0	0.2
Scope II – market-based	6,536.5	6,536.5	0.0	0.0	0.0
Scope II – location-based	28,175.8	28,175.8	0.0	0.0	0.0
Scope III*	6,529.7	951.6	0.1	0.0	0.0
SUM (I-III) – market-based	18,284.7	12,059.9	0.2	0.1	0.3
SUM (I-III) – location-based	39,924.1	33,699.3	0.2	0.1	0.3
2020					
Scope I*	3,427.4	3,203.6	0.1	0.0	0.1
Scope II – market-based	5,692.6	5,692.6	0.0	0.0	0.0
Scope II – location-based	23,570.9	23,570.9	0.0	0.0	0.0
Scope III*	4,806.6	104.8	0.0	0.0	0.0
SUM (I-III) – market-based	13,926.6	9,001.0	0.1	0.0	0.1
SUM (I-III) – location-based	31,804.9	26,879.2	0.1	0.0	0.1
2021					
Scope I*	3,222.6	3,137.1	0.1	0.0	0.0
Scope II – market-based	6,229.1	6,229.1	0.0	0.0	0.0
Scope II – location-based	22,559.9	22,559.9	0.0	0.0	0.0
Scope III*	6,389.4	40.6	0.0	0.0	0.0
SUM (I-III) – market-based	15,841.1	9,406.8	0.1	0.0	0.0
SUM (I-III) – location-based	32,171.9	25,737.5	0.1	0.0	0.0
2022					
Scope I*	3,810.8	3,477.5	0.1	0.0	0.2
Scope II – market-based	4,923.0	4,923.0	0.0	0.0	0.0
Scope II – location-based	21,421.0	21,421.0	0.0	0.0	0.0
Scope III*	6,014.2	167.9	0.0	0.0	0.0
SUM (I-III) – market-based	14,748.1	8,568.4	0.1	0.0	0.2
SUM (I-III) – location-based	31,246.0	25,066.4	0.1	0.0	0.2

*Due to the design of the emission factors, the value of the part of the emissions for scope 1 (refrigerant) and scope 3 (category 1, 3, 5) has been converted into CO₂ equivalent emissions without a breakdown by individual greenhouse gas.

Own operations emissions information for 2019-2022

The table below shows the aggregated data for 2019-2022 in terms of CO₂e emissions for our bank group. We present Scope II in both *market-based* and *location-based* terms. In the following sections of this section, we also recall the breakdown of emissions by gas and recall the main factors behind the change in emissions in 2022 relative to the previous year (2021) as well as the base year (2019).

Emissions of CO₂e emissions – breakdown by emission source

tonnes of CO ₂ e	2019 (base year)	2020	2021	2022
Scope I	5,218.5	3,427.4	3,222.6	3,810.8
Natural gas	594.7	592.4	528.1	504.8
Fuel oil	66.7	28.8	32.8	43.7
Coal	3.5	3.3	3.4	0.0
Petrol fuel	1,752.8	1,691.0	2,099.3	2,599.0
Diesel – car fleet	2,120.8	835.0	416.9	284.4
Diesel – generators	47.4	62.7	66.2	56.4
Refrigerants	632.7	214.3	76.0	322.5
Scope II – market-based	6,536.5	5,692.6	6,229.1	4,923.0
Electric energy	672.2	127.4	595.2	0.0
Cold	829.3	764.7	432.2	575.1
District heating	5,035.0	4,800.5	5,201.7	4,347.9
Scope II – location-based	28,175.8	23,570.9	22,559.9	21,420.9
Electric energy	22,311.5	18,005.7	16,926.0	16,497.9
Cold	829.3	764.7	432.2	575.1
District heating	5,035.0	4,800.5	5,201.7	4,347.9
Scope III	6,529.7	4,806.6	6,389.4	6,014.2
Category 1	217.5	159.7	130.9	87.4
Paper	189.7	134.0	121.7	81.1
Water supply	27.8	25.7	9.2	6.3
Category 3 – WTT emissions	5,616.9	4,413.3	6,126.8	5,684.8
Category 5	142.5	127.6	90.7	71.9
Water treatment	57.1	52.9	16.8	11.5
Municipal waste	74.5	74.3	73.5	60.2
Recycled waste	10.9	0.4	0.4	0.3
Category 6	552.8	106.1	41.1	170.2
Rail journeys	196.5	31.0	12.5	64.2
Air travels	200.1	28.1	2.6	52.2
Coach travel	0.0	0.0	0.0	0.0
Taxi trips	7.3	8.1	7.1	13.9
Travels in private cars	148.8	38.9	18.8	39.9
Scopes I-III total – market-based approach	18,284.7	13,926.6	15,841.2	14,748.1
Scopes I-III total – location-based approach	39,924.1	31,804.9	32,171.9	31,246.0

Dynamics of change in CO₂e emissions for 2022

	Relative to base year (2019)	Relative to the previous year (2021)
Scope I	-27.0%	18.3%
Natural gas	-15.1%	-4.4%
Fuel oil	-34.5%	33.3%
Coal	-100.0%	-100.0%
Petrol fuel	48.3%	23.8%
Diesel – car fleet	-86.6%	-31.8%
Diesel – generators	19.1%	-14.8%
Refrigerants	-49.0%	324.2%
Scope II – market-based	-24.7%	-21.0%
Electric energy	-100.0%	-100.0%
Cold	-30.7%	33.1%
District heating	-13.6%	-16.4%
Scope II – location-based	-24.0%	-5.0%
Electric energy	-26.1%	-2.5%
Cold	-30.7%	33.1%
District heating	-13.6%	-16.4%
Scope III	-7.9%	-5.9%
Category 1	-59.8%	-33.3%
Paper	-57.3%	-33.4%
Water supply	-77.3%	-31.5%
Category 3 – WTT emissions	1.2%	-7.2%
Category 5	-49.5%	-20.7%
Water treatment	-79.9%	-31.5%
Municipal waste	-19.3%	-18.1%
Recycled waste	-97.6%	-33.3%
Category 6	-69.2%	314.3%
Rail journeys	-67.4%	412.5%
Air travels	-73.9%	1909.8%
Taxi trips	91.0%	95.6%
Travels in private cars	-73.2%	111.7%
Scopes I-III total – market-based approach	-19.3%	-6.9%
Scopes I-III total – location-based approach	-21.7%	-2.9%

Our emissions for 2022 totalled 14,700 tonnes of CO₂e on a *market-based basis*. This figure is 6.9% lower than the previous year and 19.3% lower than our adopted base year (2019). The decrease in emissions both y/y and relative



to the base year is mainly due to the lower emissivity of Scope II. The main reasons for the changes in CO₂e emissions in each range are explained below.

Changes to Scope I emissions

Scope I emissions in 2022 were 18.3% higher than in 2021. The main part of Scope I emissions is petrol fuel (accounting for 68% of Scope I emissions in 2022). The increase in emissions from petrol fuel is due to its higher consumption – more intensive use of company cars in 2022 partly offset by a change in car fleet mix (increase in share of hybrid and electric cars). In 2022, our car fleet grew by 29 hybrid cars and one electric car. In addition, the ban on domestic business travel was lifted in 2022. From April 2022, the possibility of international business travel was also unlocked. An important element of Scope I, which also saw an increase in 2022, was emissions from refrigerant (which was derived from air conditioning failures occurring resulting in refrigerant losses).

The dynamics of the 2022 issue compared to 2019 was -27.0%. The main factor behind the decrease in emissions in this figure is the decrease in emissions from diesel (car fleet), which is due to the change in the structure of our car fleet and the shift away from diesel-powered cars (in part this effect was consumed by the increase in emissions from petrol fuel). Significantly lower emissions were also associated with the refrigerant. Behind the decline in these emissions is the significantly lower number and size of our sites (resulting, among other things, from fewer meeting venues).

Variation of Scope II emissions – market-based approach

Scope II emissions on a *market-based basis* fell by 21.0% in 2022 relative to 2021. This was due to a decrease in the network heat consumed (relatively warm 2022, optimisation of occupied space) which was partly offset by an increase in emissions from purchased cooling. In 2022, all the electricity we consume (based in part on estimates) comes from renewable sources – hence the value of electricity emissions on a *market-based basis* is zero.

The reduction in Scope II emissions in 2022 relative to the base year was 24.7%. This change is driven by lower emissions from purchased district heating which is a result of the reduction in the number and area of our sites over the years.

Changes to Scope III emissions (for categories 1, 3, 5 and 6)

2022 emissions from Scope III were 5.9% lower than the year before. The main category of Scope III emissions are those associated with transmission losses (WTT). In 2022, these emissions, following the decline in district heating and energy consumption, fell by 7.2%. The lower volume of heat and electricity consumed is associated with lower transmission losses.

The 2022 emissions growth rate relative to the baseline year in Scope III was -7.9%. The reduction of these emissions was made possible by the reduction of category 6 emissions – especially in the area of private car travel for business purposes, air travel or rail travel. This is partly due to changes in work culture and the popularisation of

remote collaboration tools in the wake of the effects of the COVID-19 pandemic. It is also noteworthy that emissions from used paper have been reduced by more than half.

Emission intensity factors of the own operations

In the table below, we present our emission intensity ratios per key data (revenue, asset size and number of FTEs). We emphasise that the correct approach to analysing the emissions intensity of the own economy is to convert emissions into FTEs. a proper analysis of emissions intensity, reflecting the characteristics of the sector in which we operate, should take into account category 15 of scope III (emissions from the portfolio of receivables from clients) – in this view, emissions intensity per income or asset is meaningful. Information in terms of category 15 Scope III emissions is presented later in this chapter.

Performance indicators related to CO₂e emissions

kg CO ₂ e	2019	2020	2021	2022
CO ₂ e emissions per PLN 1 million of revenue*				
Scope I	900.3	550.1	467.3	493.5
Scope II – market-based	1,127.7	913.6	903.2	637.5
Scope II – location-based	4,860.9	3,783.0	3,271.0	2,773.9
Scope III	1,126.5	771.4	926.4	778.8
Total – market-based	3,154.5	2,235.2	2,296.9	1,909.8
Total – location-based	6,887.7	5,104.5	4,664.7	4,046.3
CO ₂ e emissions per 1 million PLN of assets (average per year)				
Scope I	34.6	19.4	16.4	18.1
Scope II – market-based	43.4	32.3	31.8	23.3
Scope II – location-based	187.1	133.6	115.0	101.6
Scope III	43.4	27.2	32.6	28.5
Total – market-based	121.4	79.0	80.7	69.9
Total – location-based	265.1	180.3	164.0	148.2
CO ₂ e emissions per FTE (annual average)				
Scope I	646.8	417.7	373.2	450.3
Scope II – market-based	810.2	693.8	721.3	581.8
Scope II – location-based	3,492.2	2,872.6	2,612.3	2,531.4
Scope III	809.3	585.8	739.9	710.7
Total – market-based	2,266.3	1,697.2	1,834.3	1,742.9
Total – location-based	4,948.4	3,876.1	3,725.3	3,692.5

*total including share in profit of associates

Emission intensity indices have been decreasing over the last four years. This is due in part to the reduction in emissions themselves, but also to the organic growth of our business (understood as an increase in the value of average assets) followed by an increase in revenue. Due to the continued processes of optimising operations and reducing the number of venues, the headcount in our Group over the last four years – despite the significant

increase in the scale of operations (average annual assets in 2022 were 40% higher than in 2019) – has remained relatively stable.

Our initiatives to reduce CO₂e emissions from our own operations (excluding category 15 of scope III)

From 2019, we are gradually installing and increasing our photovoltaic power generation capacity on our buildings. The total installed capacity as at 2022 yearend is 227.24 kWp. We plan to invest further in this area in 2023.

In connection with the above initiative, we are reducing the need for energy purchased from the market. Using an analogous methodology to the counting of the emissions calculations referred to earlier (KOBIZE index for scope II, own calculations for scope III), if we had to purchase the energy produced from photovoltaic panels on the market in 2022 (144.7 MWh in total), our emissions would be 121.2 tonnes of higher in *location-based* terms. Of this, 96.4 tonnes of CO₂e are attributable to Scope II and the remainder (24.8 tonnes of CO₂e) to Scope III in Category 3 (WTT).

CO₂e emissions from the client receivables portfolio (category 15 of scope III)

In 2022, we continued the process of quantifying the Co₂e emissions associated with the bank's client receivables portfolio, which started a year ago (own calculations, not verified by an external party). As in the previous year, we took the decision to share our estimate to inform our stakeholders of our issuance to the fullest extent possible – issuance from the receivables portfolio is a very important component of bank issuance (it falls under Category III issuance under Category 15 corresponding to investments) and it is this component that will be the main focus and priority for the bank in order to move towards climate neutrality in the 2050 horizon. Nevertheless, we are still at the beginning of this journey.

We have prepared the calculations presented in relation to the corporate segment (including commercial real estate and vehicle financing) based on [the Global GHG Accounting and Reporting Standard for the Financial Industry](#), while the estimates for the retail segment are based on our own methodology. At the same time, we note that an estimate of emissivity based on statistical methods may not be precise. In future periods, we will strive to improve the accuracy of the estimates, including by obtaining more precise data. We will continue to work on our calculation of issues from the client receivables portfolio in the years to come, both in terms of the methodology itself and the greater availability of higher quality data. In this regard, we cannot exclude that we will make retrospective recalculations in the future as market practice develops.



Updated calculations for 2021 for the corporate portfolio

We have recalculated the issuance estimate of the corporate portfolio for 2021. The changes from the data presented a year ago are due to:

- retroactive update of 2020 emissions statistics by Eurostat in December 2022,
- to include updated information on credit exposures involving renewable energy sources,
- taking into account security exposures.

Quantitative information on CO₂e emissions update for 2021

	CO ₂ e emissions			Gross escrow value			Emission intensity		
	(tonnes)			(PLN million)			(tonnes CO ₂ e per 1 million PLN of exposure)		
	before adjustment	after adjustment	change	before adjustment	after adjustment	change	before adjustment	after adjustment	change
Sectors contributing significantly to climate change	4,532,934	4,281,401	-5.5%	45,613.0	45,663.2	0.1%	99.4	93.8	-5.7%
Other sectors	698,846	1,164,169	66.6%	16,727.9	33,273.0	98.9%	41.8	35.0	-16.3%
Total corporate segment portfolio	5,231,781	5,445,569	4.1%	62,340.9	78,936.1	26.6%	83.9	69.0	-17.8%

The total estimated carbon intensity of the corporate loan portfolio for 2021 increased by 4.1% y/y from 5.23 million tonnes of CO₂e to 5.45 million tonnes of CO₂e, while the emissions intensity decreased by 17.8% from 83.9 to 69.0 tonnes of CO₂e per 1 million gross carrying amount.

Corporate segment

General funding

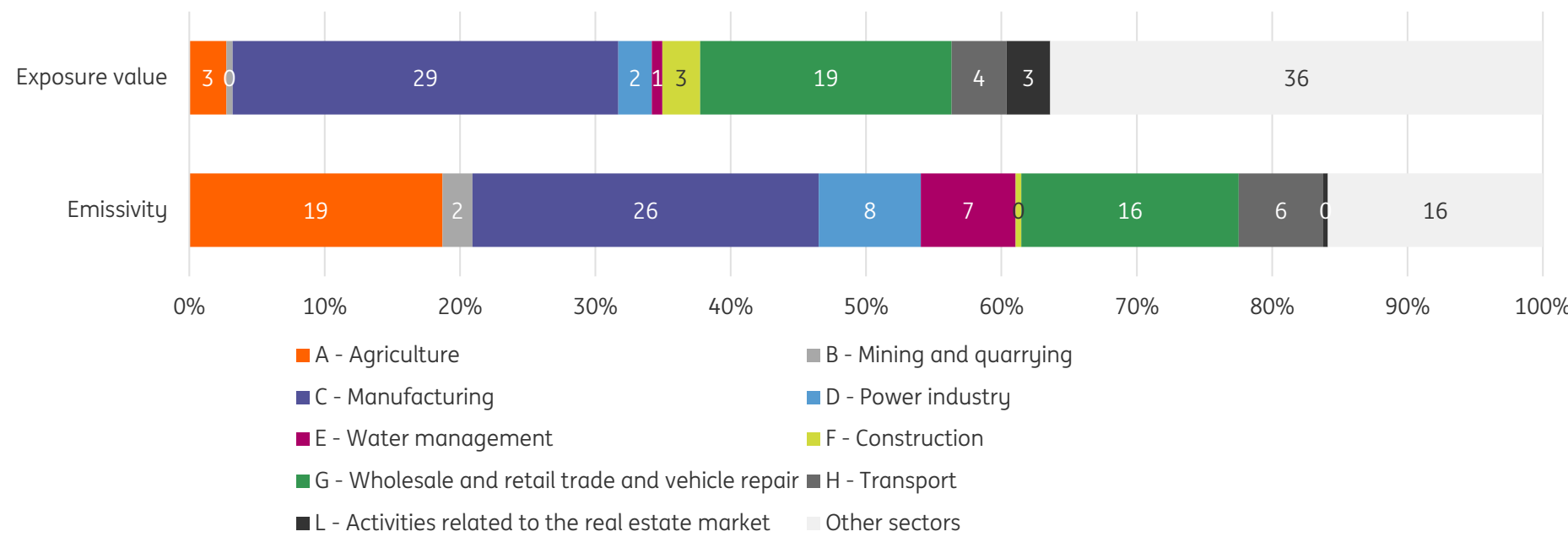
The calculation for total corporate segment portfolio financing includes exposures of ING Bank Śląski, ING Lease (Polska) and ING Commercial Finance excluding corporate loans, commercial real estate financing and vehicle leasing (applies to 2022 data). For the purposes of estimation, we used data on greenhouse gas emissions (CO₂ and CO₂e for other gases) by sector of activity. Data are published annually by Eurostat, with the latest data available for 2021. On the basis of sector data, we have estimated emission in relation to revenue generated and in relation

to assets. We then translated the estimates at the level of the national economy sectors to the corporate clients of the group, using the client's core business as a key.

The estimated total emissivity for 2022 decreased by approximately 21.9% y/y, with the emissivity calculated for 2022 not including leasing exposures due to the introduction of a more accurate method for calculating emissivity in this category, as described below. If the emissivity of leasing exposures is included in the corporate portfolio, the decrease in emissivity of the portfolio would be 8.7% y/y. The decarbonisation is largely due to a decline in market-based benchmarks for sectors that contribute significantly to climate change, such as manufacturing and transport. There was also a positive impact from the increase in the volume of credit exposures in the area of renewables from PLN 1.0 billion in 2021 to PLN 1.8 billion (of which 61% is included in section D of the PAC).

The total emissions intensity ratio for the corporate segment's financing portfolio was 53.7 tonnes of CO₂e per PLN 1 million of gross carrying amount in 2022 (-22.2% y/y). For the group of sectors contributing significantly to climate change, the average estimated emission intensity was 71.0 tonnes of CO₂e per PLN 1 million of gross carrying amount (-24.3% y/y), while for the group of other sectors, the value of the indicator was 23.4 tonnes of CO₂e per PLN 1 million of gross carrying amount (-33.1% y/y). The sectors contributing the most to the total emissivity of the corporate portfolio are manufacturing (Section C of the PKD; 26% of total emissions) and agriculture (Section A of the PKD; 19%). The sectors with the highest emission intensity per 1 million PLN of funding provided are water and waste management (section E of the PKD), agriculture (section A of the PKD), mining and quarrying (section B of the PKD) and energy (section D of the PKD).

Structure of exposure value vs. carbon intensity structure of PKD sectors (%)



Vehicle financing by ING Lease (Poland)



In 2022 for the first time, we estimated the emissivity of ING Lease’s (Poland) financed motor vehicle portfolio for the first time. Nevertheless, due to the lack of market information on the average actual combustion of vehicles as well as their mileage, the calculations were based on expert assumptions prepared by the company.

The average estimated emissions intensity was 184.0 tonnes of CO₂e per PLN 1 million gross carrying amount.

Retail segment

Within the retail segment, we estimated the emissivity associated with mortgage-backed loans. due to the lack of information on the actual energy consumption of individual buildings and the lack of access to energy performance certificates, we based our approach on the year of construction of the property and the corresponding technical and building regulations. we include in the calculations the demand for non-renewable primary energy related to heating, ventilation and hot water preparation. We also use information provided by the Central Statistical Office on the structure of household energy consumption, data from the European Environment Agency on emissions associated with electricity generation, and data from the *2006 IPCC Guidelines for National Green-house Gas Inventories*.

In accordance with the methodology in the Global GHG Accounting and Reporting Standard, emissions have been adjusted by LTV (gross carrying amount to collateral value ratio) to reflect the actual emissions associated with our financial exposure. in the calculation, we focus on residential units and single-family buildings considering 92% of the bank group’s total portfolio as at 2022 yearend (87% as at 2021 yearend).

Estimated CO₂e emissions in 2022 were 602,761 tonnes of CO₂e (-6.0% y/y), while the emissions intensity was 11.9 tonnes of CO₂e per 1 million gross carrying amount (-7.3% y/y). The reduction in both emissions and emissions intensity compared to the previous year is mainly due to the higher proportion of newer buildings in the portfolio and decreasing LTV levels.

Summary

In 2022, we have estimated issuance for a gross client receivables portfolio of PLN 135.3 billion (+4.9% y/y), representing 62% of our total assets. This amounted to 5.8 million tonnes of CO₂e, down 4.2% y/y, despite a nominal increase in the portfolio, consequently, the average estimated CO₂e intensity decreased by 8.7% y/y from 47.2 to 43.1 CO₂e per 1 million gross exposure.

In total, emissions from all three scopes, including category 15 of scope III, amounted to 5.8 million tonnes of CO₂e in market-based approach (-4.2% y/y). Category 15 of scope III accounted for 99.7% of these emissions (similarly to the previous year). The intensity of CO₂e emissions calculated in this approach would be in 2022 (market-based):

- 756.9 thousand tonnes per 1 million of revenue (-14.5% y/y),
- 27.7 thousand tonnes per 1 million of average assets (-10.9% y/y) and

- 690.7 thousand tonnes per job (-2.3% y/y).

CO ₂ e emissions from the client receivables portfolio (Scope III, category 15 element)			
	2021	2022	r/r
CO ₂ e emissions (tonnes)			
General financing in the corporate segment’s portfolio*	5,445,569	4,255,273	-21.9%
Sectors contributing significantly to climate change	4,281,401	3,579,421	-16.4%
Other sectors	1,164,169	675,852	-41.9%
Vehicle leasing	-	971,842	-
Mortgage-backed retail portfolio	641,153	602,761	-6.0%
Total	6,086,722	5,829,876	-4.2%
Gross escrow value (PLN million)			
General financing in the corporate segment’s portfolio*	78,936.1	79,310.8	0.5%
Sectors contributing significantly to climate change	45,663.2	50,444.5	10.5%
Other sectors	33,273.0	28,866.3	-13.2%
Vehicle leasing	-	5,280.3	-
Mortgage-backed retail portfolio	50,005.5	50,707.3	1.4%
Total	128,941.6	135,298.4	4.9%
Emission intensity (CO ₂ e tonnes per PLN 1 million of exposure)			
General financing in the corporate segment’s portfolio*	69.0	53.7	-22.2%
Sectors contributing significantly to climate change	93.8	71.0	-24.3%
Other sectors	35.0	23.4	-33.1%
Vehicle leasing	-	184.0	-
Mortgage-backed retail portfolio	12.8	11.9	-7.3%
Total	47.2	43.1	-8.7%

**Excluding entrepreneurs and vehicle leasing – applies to 2022 data.*



Electricity

The main energy reduction measures introduced in 2022 are:

- we launched a photovoltaic panel installation in Katowice at Sokolska Street with a capacity of 128 kWp; the total capacity of our panels as at 2022 yearend was 227.33 kWp,
- we gradually replaced the lighting from standard to LED,
- we converted the general lighting with compact fluorescent lamps for workstations at 34 Sokolska Street in Katowice (low-rise building, 1st and 2nd floors) to linear luminaires with light sources in LED technology with individual control over individual desks,
- we converted the existing lighting with fluorescent luminaires to LED luminaires in the server room and the rest of the building volume in Katowice at 66 Owsiana Street.

Measures to support electromobility:

- we have installed 15 electric car charging stations at 34 Sokolska in Katowice. In total, we had 32 charging stations nationwide as at 2022 yearend.

Our electricity consumption

ING Bank Śląski S.A.				
kWh	2019	2020	2021	2022
Electricity	32,131,934	26,931,032	25,331,448	24,210,425

ING Bank Śląski Group				
kWh	2019	2020	2021	2022
Electricity	32,916,393	27,657,936	26,036,931	24,916,157

The decrease in electricity consumption in 2022 is due to the application of energy-saving solutions, such as the replacement of lighting with led lighting, the modernisation of office space lighting by implementing follower lighting, a system for controlling the brightness of light sources and the optimisation of office space.

Other types of energy (except electricity)

ING Bank Śląski S.A.				
kWh	2019	2020	2021	2022
Natural gas	3,203,190	3,182,520	2,834,848	2,706,358
Fuel oil	248,829	107,079	121,814	162,207

ING Bank Śląski Group				
kWh	2019	2020	2021	2022
Natural gas	3,281,392	3,268,420	2,913,799	2,785,248
Fuel oil	254,904	109,969	125,206	166,935

The increase in fuel oil consumption is due to the irregular nature of oil procurement. Consumption data is provided on the basis of purchase orders from purchase invoices (no meters indicating oil consumption).

The electricity we produce (photovoltaic panels)				
kWh	2019	2020	2021	2022
Electricity	3,870	43,280	78,137	144,727

Car eco-policy

At the beginning of 2019, the Management Board approved the implementation of a long-term eco-strategy for the car fleet and changes in car policy. In 2022, 82% of the green fleet was achieved with 123 electric cars and 774 hybrid cars. Our cars will be exclusively hybrid or plug-in by the end of 2023. We will also gradually increase the fleet of electric cars, with the aim of achieving a minimum 36% reduction in CO₂ resulting from car use in 2030 (compared to 2019).



Business travels

ING Bank Śląski S.A.				
km	2019	2020	2021	2022
Business travels by company cars	22,682,388	16,829,017	16,949,991	19,713,975
Air travels	2,152,100	299,899	23,689	587,486

ING Bank Śląski Group				
km	2019	2020	2021	2022
Business travels by company cars	26,164,962	19,089,186	19,481,296	22,427,544
Air travels	2,222,780	314,885	24,220	612,499

There was a ban on overseas business travel in 2021. Domestic business travel was also blocked until April 2021. The increase in kilometres travelled by company cars is due to the fact that domestic business travel was not banned in 2022 and international business travel was also reinstated in April 2022.

Water consumption

We systematically collect data and analyze water consumption for all locations. Thanks to the standards developed for the bank's head office and branch buildings, we use modern two-post toilets, dishwashers and aerators every time we upgrade. The measures are aimed at reducing water consumption. In 2022, we installed a grey water recovery plant in Ruda Śląska, which aims to reduce water consumption by recovering and reusing part of the water used.

ING Bank Śląski S.A.				
m ³	2019	2020	2021	2022
Water (the source of intake is municipal water supply system)	76,930	70,932	58,528	40,139

ING Bank Śląski Group				
m ³	2019	2020	2021	2022
Water (the source of intake is municipal water supply system)	80,707	74,669	61,653	42,235

We manage waste wisely

In our business activities, we implement and apply the principles of environmental responsibility in many aspects. This also applies to the waste generated. We are working towards a comprehensive approach to waste management.

- It is compulsory to separate waste in meeting places and head office buildings. Additionally, we collect and destroy data media (in paper and magnetic form).
- We set up waste separation bins in open spaces at headquarters, made of 90% recycled materials (instead of bins at desks for mixed waste).
- We collect office waste in the form of toner cartridges, furniture waste and electronic waste in meeting areas and head office buildings, and hand it over to an authorised company for disposal.
- We extended the waste segregation with the collection of dead batteries. The containers are located in rooms with printers and kitchenettes in all buildings of the bank's head office.
- All employees of the Head Office in Warsaw and Katowice use the so-called follower printout. This solution allows you to print the document only after we put our ID card to the printer, so we do not waste paper and toner.

Total weight of hazardous waste, broken down by the following disposal methods				
kg	2019	2020	2021	2022
Recycling	1,487	1,187	670	1,624

100% of our waste is sent for recycling.

Total weight of non-hazardous waste, broken down by the following disposal methods				
kg	2019	2020	2021	2022
Recycling	507,880	18,992	17,652	10,428

**Data for the ING Bank Śląski Group - we do not keep records of the above-mentioned categories of waste, broken down by the bank and other companies of the Group.*

The decrease in the disposal waste generated is due to the end of the landline disposal campaign, which was organised in 2021.

100% of our waste is sent for recycling.



All quantities of hazardous and non-hazardous waste are reported on the basis of Waste Transfer Cards in the Waste Database system. The method of disposal is determined by the company responsible for recycling the waste we provide. Due to a change in the way we record waste internally, we have changed the way we present categories compared to previous years – we present the waste disposed of by hazardous and non-hazardous.

Municipal waste

Municipal waste that is transferred to municipalities is not recorded – the bank is unable to obtain information on the weight of such waste generated from municipal clients. In 2022, we have developed a tool that estimates the amount of municipal waste generated across the bank based on estimated average full bin weights for different fractions, as well as real data on the number and capacity of bins and the frequency of waste collection in a given location.

ING Bank Śląski S.A.				
kg	2019	2020	2021	2022
Municipal waste	3,326,300	3,310,820	3,279,102	2,687,253

ING Bank Group				
kg	2019	2020	2021	2022
Municipal waste	3,489,626	3,485,256	3,454,168	2,827,593

The decrease in the amount of municipal waste generated is due to a reduction in the number and size of refuse bins among others. This translates into data that is used to estimate waste volumes (this takes into account the capacity and frequency of bin collections).

Anti-corruption policies

We have put in place a number of regulations in our capital group that set out how our employees are to conduct themselves in order to comply with ethical principles and applicable regulations.

The basic document in this respect is the *Regulations – Principles of Professional Ethics of Employees of ING Bank Śląski S.A.* On the other hand, specific principles for different areas of employee conduct are described in related regulations such as: *Work Regulations; Policy for a Caring Work Environment Free of Discrimination and Mobbing; Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards; Personal Data Protection Policy; Know Your Client Policy; Competition Law Compliance Policy; Complaints Management Policy at ING Bank Śląski*

S.A.; Conflict of Interest Policy; Market Abuse Policy accompanied by other subordinate instructions, regulations, procedures.

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. ING Group employees do not accept actions that indicate an attempt at bribery or corruption. The *Regulations – Principles of Professional Ethics of Employees 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.

These issues are detailed in the *Anti-Bribery and Corruption Policy*, which all our employees are required to follow. 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 cash equivalents (these are prohibited),
- 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,
- cooperation undertaken with business partners,
- participation in business meals.

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

The acceptance or provision of gifts or benefits by employees to attend special events must in all circumstances have a sound business justification. There must be always a legally compliant purpose of and accepting or giving gifts or 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 among others 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.

Benefits given, accepted or refused are recorded in a so-called Register of Benefits – either when they exceed a certain value or whenever they involve relations with persons meeting the definition of a public official.



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. The Bank and the whole ING Group, as per the Declaration, disapproves of actions which satisfy the criteria of bribery or corruption or imply bribery or corruption, 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. Detailed information on supplier relations can be found on [our website](#).

All employees are required to report bribery, 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*.

The text of the declaration on anti-bribery standards can be found on [our website](#) (Polish link).

At ING Bank Śląski, we do not tolerate bribery and corruption. In order for our employees to better recognise these phenomena and be able to counter them effectively, we are continuously raising staff awareness of the principles of the *Anti-Bribery and Corruption Policy*. We carry out this task, among other things, through e-learning training and regular awareness-raising activities, such as e-mail messages or information posted on the intranet, and we intensify those actions particularly during the festive season, which is conducive to receiving and giving gifts or other benefits. All newly recruited employees are included in a training programme on our bank's existing standards of conduct. Training in the field of Anti-Bribery and Corruption was completed on time by 96.45% of employees of our bank's capital group. The rate is determined by the number of employees who complete the training in relation to all those enrolled in that training (including long-term absences).

As part of our bank's internal control system, elements of the anti-bribery and corruption process are subject to:

- on-going verification, in particular of reports entered in the Register of Benefits,
- independent compliance testing,
- annual key control tests (KCT).

We introduced internal procedures and controls to combat conflicts of interest. The Bank's *Conflict of Interest Policy* provides for the registration of conflicts of interest: structural and incidental, in order to manage their risks effectively.

The policy sets out conflict of interest requirements covering:

- the operation of the organisation and the methods used in the bank to manage conflicts of interest at the organisational level,
- personal interests of employees that may contribute to a conflict of interest, e.g. between the interests of the bank, clients or other stakeholders and the interests of employees, including the bank's management.

The control mechanisms used at the bank relate to, inter alia:

- the segregation of duties in the bank's organisational structure and relations between different management levels as well as personal links between employees,
- that staff members consult and notify the bank when they undertake additional professional activities and personal interests that may give rise to a conflict of interest,
- implementation of private investments by employees with access to protected information.

We comply with the requirements under the Best Practices and the Corporate Governance Principles for managing conflicts of interest:

- The Bank discloses on its [website](#) the principles of conflict of interest management arising from its *Conflict of Interest Policy*.
- The policy sets out standards of behaviour addressed to members of the bank's bodies in connection with their functions.
- Members of the bank's governing bodies should refrain from engaging in professional activities that could lead to a conflict of interest and should inform the bank immediately if a conflict of interest arises or is likely to arise.
- Members of the Bank's bodies may not participate in decision-making or take part in the settlement of matters in a situation that could give rise to a conflict of interest.
- Issues of potential conflicts of interest of members of the bank's bodies are also examined in the adequacy assessment process.
- The policy also introduces the obligation to assess transactions carried out with related parties for conflicts of interest and to publish information about such conflicts on the bank's website.

Effects of applying policies

- No cases of suspected bribery or corruption were identified in 2022.
- Employees can anonymously report suspected offences, breaches of professional ethics and concerns via a dedicated form on the intranet, which ensures confidentiality, or by post. Employees may also report the same by name and we ensure confidentiality and discretion as well as protection against repressive actions. If a report is confirmed, appropriate corrective and preventing measures are taken for the future. As a rule,



applications shall be accepted by the President of the Management Board. This is reflected in the *Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards* (hereinafter: the Policy) and the bank’s internal procedures, which also include protection against retaliation. Alternatively, bank employees may report breaches of professional ethics using external reporting channels operated by an external entity, via a telephone line (available 24/7), website or email address. In 2022, 20 reports qualifying for consideration under the procedure set out in the Policy were submitted, concerning, inter alia, discrimination, bullying or breaching of the bank’s internal regulations. After the analysis and explanatory actions, irregularities were confirmed in 2 cases and corrective actions were taken (interviews with employees reminding the rules of conduct in specific cases).

- Every new employee of our capital group undergoes mandatory training on reporting breaches of the law and professional ethics. To serve as a reminder of the principles of reporting illegal, inappropriate or unethical behaviour, the Culture at Risk venture held a series of events on Whistleblowers and whistleblowing in Q3 2022. Bank employees were introduced to the topics of whistleblowing and whistleblowers and their importance to the organisation and society. a reminder was also given on how to report breaches at the bank.



Description of significant risks for non-financial issues

Non-financial risk

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 in a periodic report on non-financial risks (NFRD). Additionally, the bank operates the Non-financial Risk Committee appointed by the Bank's Management Board – the Committee advises the Bank's Management Board with respect to the management of non-financial risks. The Supervisory Board, with the support of the Risk Committee, supervises the management of operational risk by the Management Board and assesses the effectiveness of its activities in this respect at least once a year.

The common management framework of non-financial risks support the bank in active identification of core hazards and gaps and the related risks which 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 keep improving the adequacy and effectiveness of the internal control system functioning in the bank.

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

In terms of information on significant events that may affect the risk, senior management is notified as part of the quarterly NFRD report. The report presents events with the highest value of potential losses and the biggest possible negative impact on the bank's image. Qualifications are made by operational risk and compliance experts. In 2022, information on 16 events was submitted to the Bank's Management Board. The events concerned, among others, the area of IT security and the impact of the war in Ukraine on the bank. Mitigating measures were implemented for all cases, including updating security messages on the bank's website. Regarding the war in Ukraine, the related costs are recorded in dedicated accounts.

Operational risk

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'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 business spheres of the Bank and the activity of the Group, cooperation with clients, providers 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.

In 2022, the bank strengthened its monitoring activities by implementing extended second-line monitoring in the form of, for example, an in-depth analysis or thematic review of selected areas.

Knowledge of risk management issues including risk awareness among bank staff is reinforced through a number of training and awareness programmes. 2022 was dedicated to raising staff knowledge and awareness of risk culture and ethical standards as part of the established Risk Culture Programme. As part of it, employees were able to benefit from initiatives such as webinars, training courses, chats with experts and meetings with external guests, covering the following thematic areas:

- Internal and external fraud,
- Sanctions,
- Climate and environment – risks and regulation,
- Know Your Client CDD – whether and how well I know my client,
- Cyber security,



- Anti-money laundering/financial terrorism,
- “Whistle-blowing” and infringement notices,
- Data processing, confidential information (GDPR),
- Outsourcing: why our business partners can be a source of risk,
- Culture of Risk and Orange Code.

A project to replace the application supporting operational risk management and compliance has also started in 2022 and will be implemented in 2023. The application will allow the efficiency of the operational risk area processes to be increased.

The bank has a coherent and continuously updated set of internal normative documents in relation to operational risk management. 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.

Key operational risk management regulations:

- Operational Risk Management Policy at ING Bank Śląski S.A.
- Regulations of the Non-financial Risk Committee at ING Bank Śląski S.A.
- ING Bank Śląski S.A. Capital Group Non-Financial Risk Appetite Statement (for the year)
- Policy – Internal Control System at ING Bank Śląski S.A.
- Policy – Standard for the Implementation, Modification, Review and Liquidation of Products for Bank Clients (PARP) at ING Bank Śląski S.A.
- Policy for the Transfer of Non-financial Risks to the Insurance Market
- Fraud Prevention Policy at ING Bank Śląski S.A.
- ING Bank Śląski S.A. Outsourcing Policy
- ING Business Continuity Management Policy
- Policy – Security of Persons and Resources at ING Bank Śląski SA.
- Information Risk Policy – Information Processing at ING Bank Śląski S.A.
- Information Risk Policy – IT Security at ING Bank Śląski S.A.

- Information Risk Policy – End-user Software Standard at ING Bank Śląski S.A.
- Information Risk Policy – Data Management Standard at ING Bank Śląski S.A.
- Information Risk Policy – Cyber Resilience at ING Bank Śląski S.A.
- Information Risk Policy – IT Change Management standard at ING Bank Śląski S.A.
- Information Risk Policy – Standard of Basic Safeguards at ING Bank Śląski S.A.
- Information Risk Policy – Operational Resilience Standard at ING Bank Śląski S.A.
- Information Risk Policy – Platform Security Standard at ING Bank Śląski S.A.
- Information Risk Policy – Security Monitoring Standard at ING Bank Śląski S.A.
- Information Risk Policy – Identity and Access Management Standard at ING Bank Śląski S.A.

The subordinate regulations clarify the provisions and implementation of the requirements of the policies listed above.

Operational risk staff are continuously increasing their knowledge and competence in order to fulfil their 2nd line of defence tasks and responsibilities appropriately and effectively. In 2022, employees of the Operational Risk Management Department participated in the following above-standard training courses for obtaining new or maintaining existing certificates:

- CISSP – Certified Information Systems Security Professional,
- CISA – Certified Information Systems Auditor,
- CDPSE – Certified Data Privacy Solutions Engineer,
- Certified Fraud Examiner – ACFE certification,
- PL-900 Microsoft Certified: Power Platform Fundamentals,
- Professional Cloud Security Engineer,
- CompTIA IT Fundamentals (FC0-U61),
- Mile2 CISSO,
- Microsoft Azure Fundamentals.



Compliance risk

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's Supervisory Board oversees compliance risk management and the Bank's Management Board is responsible for effective compliance risk management, including:

- the implementation of organisational arrangements, regulations and procedures that enable compliance risk to be managed effectively, and
- ensuring that the resources and means required to perform the tasks are adequate.

The Centre of Expertise – Compliance is an organisationally separate, independent unit that is responsible for the organisation and operation of the compliance risk management process. The aim of the Centre of Expertise – Compliance is to shape solutions for identifying, assessing, controlling and monitoring the risk of non-compliance of the bank's activities with the law, internal regulations and market standards, and to provide reports in this respect. 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.

Centre of Expertise – Compliance flexibly adapts organisationally to the changing external environment. The changes are necessary to further increase the effectiveness of compliance risk management and to effectively mitigate these risks. 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 in the process of giving opinions on product and legislative changes and marketing materials,
- strengthen the competences of subordinate employees,
- implemented an automation plan in the area of compliance risk,
- continued to cooperate with regulators in monitoring the implementation of the audit recommendations received.

Major initiatives in 2022

In 2022, 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,
- amendments to bankers' regulations to align with the EBA's guidance on compliance management policies and procedures and the role and responsibilities of the AML/CFT inspector in line with the regulator's expectations,
- raising staff knowledge and awareness of risk culture and ethical standards through the Culture of Risk programme,
- protecting the bank's reputation,
- maintenance of records of conflicts of interest and internal regulations on conflicts of interest,
- implementing solutions to change the WIBOR reference index to WIRON,
- monitoring the application of the Good Practices of Companies Listed on the WSE.

The following regulations, among others, have been updated: *Know Your Client Policy, Competition Law Compliance Policy, Compliance Policy and Compliance Regulations, Conflict of Interest Policy together with the Control Standard for the Conflict of Interest Process and the Instruction – Conflict of Interest Registers, Whistleblowing Policy for Infringements of Law, Internal Regulations and Ethical Standards together with the Manual for Handling Anonymous Reports of Infringements of Law, Internal Regulations and Ethical Standards, Market Abuse Policy, Policy – Principles of Internal Governance in the ING Bank Śląski S.A. Group., Markets and Investor Protection Policy, Personal Data Protection Policy*. The bank's principles on reputation protection have been written down and published in the form of a new policy: *Policy – Principles for Reputation Risk Management at ING Bank Śląski S.A.*



Transaction security and stability of IT systems

Introduction

The security of client and partner funds and data is a key issue to which we pay particular attention in our day-to-day operations. We continuously monitor threats and analyses their impact on the ICT infrastructure (applications, systems, networks), as well as business processes, processes of our partners and service providers and their potential impact on clients. On that basis, we design and implement 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 our efforts to provide the right level of banking services to clients is to ensure that systems are stable. 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 proper architecture of critical systems to guarantee full redundancy of components and fail-safe operations,
- implementation of a mechanism for monitoring the correct operation of systems, allowing for early detection of symptoms of malfunctioning components and quick diagnostics of errors,
- 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. The processes aimed at ensuring security, resulting from the policies, standards and procedures adopted in the bank (e.g. IT Security Standards, including in the area of security monitoring, connections and external service providers, identity management, web applications or cryptography), are subjected to continuous performance monitoring, which allows for the continuous improvement of procedures related to: counteracting, detecting and responding to threats, as well as taking action to eliminate their potential effects (e.g. unavailability of banking services).

We 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.

IT security activities are overseen by the Bank's Management Board and by the IT Risk and Security Committee appointed by the Board. It comprises, among others, the management of the units: Tech, cyber security, operational risk, data security and internal audit.

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 area of risk protection is an ongoing element of the training and awareness-raising activities carried out (e.g. training within the Tech Academy and a series of webinars as part of the bank's risk culture programme).

We are constantly improving security solutions and systems used to protect our clients, as well as our bank itself, constantly testing their real effectiveness through, among others, penetration tests of banking infrastructure and applications, APT tests (Advanced Persistent Threat), tests of immunity to DDoS (Distributed Denial of Service) and many others.

We design and update the bank's existing security standards and architectures on an ongoing basis. Based on their requirements, ICT systems are designed, built and implemented according to the principle to ensure safety at the earliest possible 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 in place to detect any anomalies, adverse effects and security incident attempts. 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.

We develop model security requirements for each ICT technology and specific application solution, and their effectiveness and correctness of implementation is regularly verified as part of security tests and reviews, as well as internal and external audits. Such audits and tests are performed by renowned expert companies.

We have 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.



We use solutions of leading providers of tools and services in the area of cyber security and unique solutions developed in-house by inner specialists. At the same time, we constantly cooperate with ING Group member companies and other companies and organisations in Poland (banks, internet service providers, trade associations). This allows us to observe trends, detect new vulnerabilities and counteract IT security threats in advance.

We actively cooperate 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.

We provide clients with the opportunity to receive free support from cyber security experts to support their security when using auction portals or online shops that involve financial transactions.

In activities related to ensuring the security of client data, we are not limited only to the bank's infrastructure, but we require an equally high level of security from its partners, both by means of appropriate contractual provisions with IT security requirements and verification of their fulfilment as part of periodically performed audits.

on 24 October 2022, thanks to ING Hubs Poland, our bank migrated its Vision card authorisation system from ING Bank Śląski's infrastructure to ING Private Cloud. The main benefits of migration are:

- moving the transaction authorisation system to a secure environment certified by the *Payment Card Industry Data Security Standard* – PCI DSS – which means greater security and reliability for our clients,
- increased performance and scalability – the environment is designed to handle 15 million cards,
- environment and all interfaces are integral and equipped with the latest payment organisation components.

In online banking applications, we use the following solutions to enhance client security:

- Authorisation of operations (transactions, logins, data changes, etc.) with a one-time code or the PUSH method – this method enables authorisation of instructions in the internet banking system by means of an authorisation code or confirmation of a message in the mobile application Moje ING. Along with the request for transaction confirmation, the client is provided with comprehensive information on the details of the transaction, which allows for additional verification of the instruction.
- Hard daily limit – the amount limit to which transfers can be made on a given day in Internet 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 ingbank.pl service and the internet banking system are protected by digital certificates with a high level of trust, which secure the connection via an encrypted HTTPS protocol. This guarantees fully

secure data transfer in encrypted form, protects the data against third-party modifications and authenticates the computers that communicate with each other.

- 3D Secure (a standard of card payments over the Internet) – when our clients pay with cards in an Internet store handling 3D Secure, the payment is additionally confirmed with a one-off 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. Among other things, we collect and analyse information on how quickly and often the user clicks on individual keys on the keyboard, how they scroll the screen, how quickly and often they click the mouse. The user profile is built only after logging into the Moje ING online 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 detection and prevention modes.
- Malware detection – a tool has been implemented to detect malware activity 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 internet banking system, make a transfer on their computer and have Moje ING mobile application installed; it is used interchangeably with SMS code.
- Fingerprint login (this option is available for phones with a fingerprint reader) or using FaceID. 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.



- Voice-code as an additional authentication factor used in the process of pairing a mobile device with a client account.

In the event of a justified suspicion of a threat of cybercrime or fraud against clients, we take preventive measures, e.g. rejecting transactions, blocking services, protecting clients against taking over their data or funds by unauthorized persons.

Cyber security

Observations on cyber security

The specific situation caused by the armed conflict in Ukraine has meant that the frequency of attacks by cybercriminals (already increased in 2021) continues to increase. Attempts to destabilise the operation of individual market players through DDoS attacks (resulting in the unavailability of services) have been observed. Fraudsters use both modern technical means and social engineering in their attacks, while at the same time constantly modifying attack scenarios, which requires very high flexibility and speed of our reaction. The number of attacks in which criminals impersonate a bank has also increased.

Phishing remains the most common method of attack, but clients have also been exposed to losses in cases of investment fraud, in which fraudsters use social engineering to defraud clients' funds under the pretext of high returns after investing them on cryptocurrency exchanges or in securities of well-known Polish companies listed on the WSE.

The high number of attacks using telephone calls(*spoofing*) continues. Spoofing fraudsters pretend to be the bank's helpline or security department, using appropriate techniques so that the client's phone displays the bank's real helpline number when they call. The criminals are persuading clients to install additional software that allows them to take control of the client's device.

Advanced *Ransomware* attacks often carried out by organised criminal groups, based on the infection of IT devices with malware, also using the previously mentioned social engineering attack techniques, have continuously been one of the most serious threats faced by banks and clients for several years.

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

Still one of the obstacles to banks' effective response to emerging threats is legislation that has not kept pace with developments in technology and financial services, as well as low client interest in fraud awareness campaigns. Nevertheless, the regulatory changes being introduced in 2022 have the potential to make a positive contribution to the security of the entire sector in the face of the inevitable increase in the use of cloud solutions.

Bearing this in mind, we are constantly strengthening and developing our own cybersecurity system at the local level and across the ING Group in order to prevent acts of cybercrime against clients, employees and our bank's information and communication system.

The measures taken in the area of cyber security meant that we did not record any significant incidents or frauds as a result of weaknesses in the bank's security system.

Our cyber security activities

All employees are responsible for ensuring the security of data and information systems, within their respective areas and tasks. In particular, this responsibility falls to staff from the IT and risk units, dedicated to countering and responding to cyber threats. In 2022, the special unit set up in 2021 (Anti-Fraud Expert Centre) continued its work, with the aim of coordinating all fraud activities and reacting quickly and adapting prevention measures to the activity of fraudsters.

Cyber resilience is one of the core principles of how our bank builds its IT solutions and client interaction channels. 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. We have performed, among other things:

- development of security architecture and implementation of security tools and processes for resources created within the Google cloud for ING Bank Śląski,
- extending the scope of vulnerability monitoring to all banking systems,
- improvements in the area of vulnerability monitoring on workstations,
- improving the security monitoring of the bank's systems and networks,
- improving the control process for managing network access principles,
- more than 300 security (penetration) tests of banking systems, including "Red&Blue" exercises and simulated *Advanced Persistent Threat* attacks.

The basic regulations for cyber security in its broadest sense include:

- Information Risk Policy,
- IT Security Standards (ITSS) e.g.:
 - Information Risk Policy – Platform Security Standard at ING Bank Śląski S.A.



- IT Security Standard – Security Monitoring,
- IT Security Standard – Security Validation and Testing,
- IT Security Standard – Identity and Access Management,
- Security Policy for Internet Payment Services at ING Bank Śląski S.A.

These and other policies are further clarified in related downstream internal regulations (e.g. procedures, instructions).

We care about the awareness of our clients and employees. We carry out a number of educational activities on fraud risks, cyber security and programmes to improve the skills and knowledge of staff to ensure that they are well aware of the bank's fraud and cyber security risks. We provide a range of IT risk control system training, technical training aimed at cybersecurity professionals, IT Academy activities and online training continue. We have expanded the range of training platforms available to employees. We are also continuing the *Security Champions* programme, aimed at developing competence in the areas of cyber security and secure coding among application developers.

We have also carried out a number of activities to educate clients on threats and cyber security, including presentations at conferences and the Tech Blog, as well as a campaign involving recognised cyber security authorities in the market.

Online, e-learning and on-site training courses, particularly for new employees, are provided by highly qualified experts.

One of the important elements of the bank's development strategy remains the continuous improvement of the competence of security professionals and the testing of systems, processes and people through numerous exercises and tests. All of these activities are aimed at protecting the bank's assets from threats from inside and outside, thereby protecting clients and the funds entrusted to them. Cyber resilience is one of the basic principles of building an online banking system. Cyber security and fraud prevention activities are formalised and based on the bank's internal regulations. Despite rapidly changing trends, fraud scenarios and technology, the Bank's security units, acting on the basis of and in accordance with internal regulations, efficiently and, above all, effectively counter threats.

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.

We have implemented and are continuously developing behavioural verification methods to identify potential attempts at criminal activity in the area of electronic banking channels. With this solution, we counteract the impersonation of Moje ING users by third parties. 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 clients to use this type of solution, we continue to run awareness campaigns.

We also improve mechanisms for detecting anomalies both in the bank's transaction system itself and in transactions ordered by clients, thus catching suspicious transactions – ordered by unauthorised persons – and we take care of the integrity of transactions ordered by clients, reducing the risk of internal fraud.

We are constantly developing tools, algorithms and rules to detect various types of fraud and abuse, including preventing confidential 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 authorisation methods based, for example, on biometrics or client behaviour.

In addition, information campaigns for our bank's clients warning them of current risks are already a regular feature of the services we provide. On current basis we keep our clients informed about existing threats through our websites, social media and 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 information is systematically placed on the basis of the currently detected threat targeting each electronic banking user. As part of client awareness, we also conducted a number of dedicated training courses for selected corporate and strategic clients.

The bank's activities are not only limited to resources and data managed directly by the bank, but are also carried out in relation to third-party providers of key services. To this end, the bank's contracts are continuously reviewed for compliance with applicable regulations such as: the PFSA's Cloud Communiqué, the EBA's guidelines and ING Group standards regarding security requirements for IT and cloud providers. We oblige the companies we work with to apply the best standards and guidelines in protecting the data and services entrusted to them.

As in previous years, we actively participate in the work of the Banking Cyber Security Centre Fincyber.pl operating within the Polish Bank Association.

Personal data security

Introduction

The stability of IT systems also means protecting 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 permissibility and principles of the presence of outsiders in the 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. Testing physical security and any method of remote access to systems has become an integral part of the bank's APT testing of the bank's cyber security resilience.

Management of personal data security

The Bank is committed to ensuring that the rights to privacy and protection of personal data, as set out in the *Charter of Fundamental Rights of the European Union*, the *European Convention on Human Rights*, the *Data Protection Regulation* (DPA) and the case law of the European Court of Justice, are taken into account when processing personal data.

We have regulated this area in our *Data Protection Policy*, which reflects the requirements under the law and sets out the bank's obligations in this respect. It also includes principles relating to the processing of personal data, inter alia, their confidentiality, data minimisation and processing for a well-defined purpose, transparency and information requirements for individuals with regard to the processing and their rights,

We have appointed a Data Protection Officer whom any data subject can contact by writing to the bank's postal address or email address abi@ing.pl. For more information on data protection and its implementation at the bank, please visit [this page](#).

In 2022, the bank found no substantiated complaints of breaches of client privacy, although administrative proceedings are pending before the Provincial Administrative Court in five laws and before the Supreme Administrative Court in three cases.

In 2022, the DPO confirmed the occurrence of 262 data protection breaches, of which 152 breaches required notification to the President of the Data Protection Authority. In the required cases – where violations of the rights and freedoms of individuals were assessed at a high level – we informed the affected persons of these incidents, as well as of possible measures to minimise the negative consequences for them.

Bank employees demonstrate a high level of awareness of personal, financial and business data protection by completing mandatory training cycles on an ongoing basis.

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 respect, the bank uses meetings, workshops, as well as periodic communication to employees.

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 principles for the correct use of online banking:

- showing you how to create a secure password,

- keeping you informed about the risks in Internet banking,
- reminding you of the principles of safe banking,
- explaining how to protect against data theft on the Internet,
- teaching you how to protect your clients' devices,
- blocking services when reasonable to protect clients against unauthorized access to their data,
- 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,
- carrying out numerous awareness-raising activities using bank communication channels.

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 held, during which the bank presents threats related to cybercrime and the mechanisms of applications and solutions to counteract abuse.

The bank has not only implemented the requirements related to the implementation of the *European Union Regulation on the protection of personal data*, but also analyses the changes and incorporates them without unnecessary delay into the procedures and internal regulations. Within the framework of the Polish Bank Association, the bank cooperates with other banks to develop the *Principles of Good Practice for the Processing and Protection of Personal Data in the Banking Sector*, as well as to develop consistent solutions related to the protection of personal data.

Effects of applying policies

Key figures on data protection					
	2018	2019	2020	2021	2022
Substantiated complaints about breaches of client privacy	0	0	0	0	0
Percentage of employees trained in personal data security*	99%	97%	97%	99%	98%

*does not include long-term absentees



ESG risk

ESG issues are an important, enduring and inherent element for the entire organisation, addressed in the ESG Strategy, which is part of ING Bank Śląski Group's business strategy.

ESG risk as an enabler of core risk categories

We have identified ESG risk as a risk factor that reinforces existing traditional risk categories – credit, market, liquidity and funding and operational risks – as interpreted in the *ECB Guide on climate-related and environmental risks – supervisory expectations relating to risk management and disclosure* of November 2020. ESG risk management is therefore about integrating mechanisms for its identification, measurement, assessment, mitigation, monitoring, reporting into the standard processes of credit, market, liquidity and funding and operational risk management.

Due to the specific nature of this risk – including the expected intensification of this risk in the future – we have adapted our organisational structure to manage it as best as possible and to ensure that it is effectively overseen and that the work of implementing mechanisms to manage this risk is carried out correctly and in a timely manner.

Oversight of ESG risk management

The organisational structure of risk management, including the role of the Supervisory Board, the Bank's Management Board and the Division supervised by the CRO (Chief Risk Officer), is defined by the *General Principles for Managing and Mitigating Credit, Market, Liquidity and Funding and Operational Risks at ING Bank Śląski S.A.* The Bank's Supervisory Board monitors and oversees the risk management process, including credit, market, liquidity and funding and operational risks. It is assisted in this task by the Risk Committee, which includes a minimum of three members of the Supervisory Board.

At the beginning of 2022, the Board approved a Risk Management Strategy, in which among the key objectives for 2022-2024 is the continuation of efforts to increasingly identify, measure and assess ESG risks, as well as efforts to ensure that the bank's policies, procedures and processes are in line with requirements under external regulations.

The Bank's Management Board is involved in monitoring and overseeing the risk management process, including credit, market, liquidity and funding and operational risks. The Bank's Management Board approves the Bank's business strategy and risk management strategy which include ESG risk strategies as elements. In addition, the Bank's Management Board set up a standing ESG Risk Committee, tasked with creating the structure, policies, methods, models and tools for ESG risk management, and appointed the members of the Committee.

The Management Board has designated the CRO as the Board Member responsible for carrying out key tasks in the implementation of ESG risk management into the risk management system.

ESG Risk Committee

The ESG Risk Committee is the Bank's standing committee dealing with ESG risk issues. Within the framework of its activities, it has decision-making functions towards all the bank's organisational units and advisory functions towards the Bank's Management Board. The CRO acts as chairman of the ESG Risk Committee.

The tasks of the Committee include:

- setting and changing the level of ESG risk appetite limits,
- creating a policy for managing ESG risks:
 - approving methodologies for ESG risk management, including its metrics,
 - validating the tools used to assess ESG risks,
 - deciding on the implementation and modifications of regulations dedicated to ESG risks,
 - defining credit analysis standards for ESG risks,
 - defining the general principles of the ESG risk assessment and monitoring process,
 - determining the principles for including ESG risks in collateral valuation,
- defining a process for the comprehensive management of ESG risks, including the definition of IT systems to support the management process,
- approving ESG risk models, including their documentation, the results of their monitoring and validation,
- monitoring and assessing the level of ESG risks at stand-alone and consolidated levels,
- ensuring compliance with laws, supervisory regulations, deciding on the implementation of ING Group's ESG risk guidance and recommendations and approving any other ESG risk issues.

The Committee is composed of the following:

- President of the Bank's Management Board,
- Members of the Bank's Management Board,
- Bank Directors in the CRO Division,
- Bank Director – Tribe Financing.



- Director of the Strategic Clients Financing Department,
- Tribe Lead III – Bank Director Loans and Insurance,
- Director of the Investors Relations Office.

As a general rule, the unit that informs the ESG Risk Committee and provides solutions for the management of ESG risks is the ESG Risk Team within the Risk Regulation Department (the tasks of the Team are further outlined in the information on the division into three lines of defence). The ESG Risk Team prepared an *ESG Risk Management Policy*, which was approved by the Board in January 2023.

ESG risk management under the three lines of defence

First line of defence

With regard to ESG risks, which are an element that reinforces traditional risks, the first line of defence identifies, assesses and monitors ESG risks as part of its standard process/role, described in separate regulations:

- Credit risk management policy at ING Bank Śląski S.A.,
- Operational Risk Management Policy at ING Bank Śląski S.A.
- The Compliance Policy of ING Bank Śląski S.A.

Second line of defence

The units of the CRO Division ensure that ESG risks are duly and effectively addressed in all relevant processes managed by the unit. They advise the Governing Body on the measures to be taken to ensure compliance with applicable laws, rules, regulations and standards, and assess the possible impact of any changes in the legal or regulatory environment on the bank's operations and compliance framework. Given that sustainability rules and standards may change over time, the bank may be more exposed to liability, litigation and/or reputational risks in the future. Second line of defence units ensure that all risks are appropriately identified, assessed, measured, monitored, managed and reported. For individual credit transactions, they provide independent analysis and expert opinion on risk exposures, including ESG risks. As ESG risks materialise through existing traditional risks, this analysis/assessment takes place as part of the standard activities performed within the CRO Division units.

The specialised ESG risk management unit within the 2nd line of defence is the Risk Regulation Department, within which the ESG Risk Team has been separated and is responsible for the creation of the ESG risk management policy within the CRO Division and its implementation, including:

- development of methods to manage ESG risks, including their measurement,
- developing the tools used to measure ESG risks,

- implementing and updating ESG risk regulations,
- developing and updating standards for assessing ESG risks in the credit process,
- developing the general principles of the ESG risk assessment and monitoring process,
- how ESG risks are taken into account in collateral valuation,
- development of a comprehensive ESG risk management process including identification of IT systems used in the process,
- supervision of ESG models, including documentation, monitoring results and validation,
- monitoring of the level of ESG risks at stand-alone and consolidated levels,
- ensuring compliance with the law, supervisory regulations and best practice of ING Group.

In December 2022, the ESG Risk Team prepared the *ESG Risk Management Policy*, which sets out how ESG risk is managed at the bank, including how ESG risk management fits into the existing framework for managing credit, market, liquidity and funding and operational risks. It describes in detail the channels for transferring ESG risks, including environmental risks, into traditional risk categories. The document was approved by the Board in January 2023.

In addition, within the CRO Division, sector specialists, through their transactional specialisation in a particular sector, add value in terms of, among other things, lending directions through, for example, sector guidelines and spreading knowledge of the sector situation based on the analysis of individual transactions and available portfolio analyses. The credit risk factors analysed include ESG risk factors.

The Centre of Expertise Compliance (CEO Division) ensures that compliance risks arising from ESG risks are duly and effectively addressed through appropriate processes. It advises the Governing Body on the measures to be taken to ensure compliance with applicable laws, rules, regulations and standards, and assess the possible impact of any changes in the legal or regulatory environment on the bank's operations and compliance framework. Takes into account that, as sustainability principles and standards may evolve over time, a bank may be more exposed over time to risks related to liability, litigation and/or reputational damage that arise from climate and environmental issues as well as social risk (S) and corporate governance (G) issues. It verifies whether there were planned mitigating actions and, if there were, whether they were designed correctly and executed.

Third line of defence

Internal Audit Department, which – in terms of ESG risks – takes into account and assesses in its reviews the extent to which the bank is prepared to manage these risks. It performs internal controls of the risk management



framework, including ESG risks, taking into account changes in the risk profile and in products and/or business lines. The assessment covers the adequacy of ESG risk management policies and procedures and their compliance with the bank's internal policies and procedures and external requirements.

Reporting of ESG risk

We disclose information on environmental risk, social policy and corporate governance in the Annual Management Report of ING Bank Śląski Group.

The ESG Risk team in the Risk Regulation Department, as part of its internal reporting on ESG risks, prepares and periodically presents reports on the level of ESG risks to the Bank's Management Board, Supervisory Board and ESG Risk Committee to enable decision-making and appropriate further action if necessary. This reporting includes:

- periodic reports – provide information on status and developments, and support regular ESG risk management decisions; depending on their content and purpose, they may be provided on a monthly or quarterly basis; an example would be the monthly reports prepared for the Management Board on the environmental risk assessment of client exposures by sector,
- (ad-hoc) reports – those are any reports prepared to decide on a course of action for the ESG Team's internal use or at the request of senior managers.

Reports to regulatory authorities may also be prepared.

ESG risk tolerance framework

The primary internal document that indicates the risk framework in relation to environmental and social issues is the ESG Manual. as part of the ESG risk identification process, we have identified sectors and areas that are excluded from funding and restricted. These are activities/areas with which – in our assessment – there is, among other things, a particularly high risk of negative environmental impact and a high risk of negative social impact.

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

Sector exclusion policy for corporate clients to whom credit and other banking products/services are offered. It applies to activities with a particularly high risk of negative impacts on the environment and the principles of sustainable development and a risk of human rights violations. We do not establish relationships with clients whose core business is covered by ING Bank Śląski's exclusion policy. Past relationships with this type of client have been terminated or an exit path is agreed.

Sector-specific policies apply to corporate clients to whom credit products are offered. We identify and appropriately manage relationships with clients who operate in areas of greater social or environmental vulnerability. We have specific policies in place to support the protection of the environment and to minimise risks in exposed business areas.

Detailed policies concern the following areas:

- animal welfare,
- forestry and plantations,
- tobacco industry,
- 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.

We respect and care for the environment and expect a similar approach from all clients. After 2025, we will not finance coal clients whose business is directly dependent on thermal coal to the extent of more than 5%.

Furthermore, we do not fund:

- new coal-fired power plants and oil sands projects and dedicated oil sands infrastructure,
- fishing with harmful methods or against protected species,
- harmful or illegal tree felling,
- ship dismantling activities without the appropriate environmental certification,
- operations located in UNESCO World Heritage sites, wetlands listed in the Ramsar Convention or significantly affecting these areas or critical habitats registered by the International Union for Conservation of Nature (IUCN).

We have specific policies for funding areas with, in our assessment, high environmental risk.

We support clients on their journey towards environmentally sustainable operations. We support them in building awareness of:



- environmental impact of their business and the impact of ESG factors on their financial situation,
- take action to eliminate or reduce negative impacts and implement (where possible) sectoral best practice.

We require credit clients operating in sectors with significant environmental risk or significant exposure to environmental risk – in the standard credit process(*Normal Track*), commensurate with the size of the client, type of transaction and materiality of risk:

- transparency as to the client's environmental impact,
- as far as possible – have a policy/strategy/plan to move towards an environmentally sustainable economy,
- information on environmental objectives/activities – undertaken and planned, as well as the extent to which ESG risk mitigation actions have been implemented.

As part of our social risk management, we have a well-established exclusion policy. The full funding ban applies to the following areas:

- human rights violations/abuses, including in situations of forced labour, child labour, inadequate working conditions, use of violence,
- risks to the health of workers and local communities, including contact with harmful chemical materials, transmission of animal diseases to humans, non-compliance with labour laws,
- production of and trade in controversial weapons, including: anti-personnel mines, cluster munitions, phosphorus bombs, depleted uranium munitions, nuclear, chemical, biological weapons,
- cultivation, processing, production and sale of tobacco and tobacco products and e-cigarettes,
- asbestos-related activities, fur farming, gambling.

We have a detailed policy on defence financing and activities related to the arms industry. We are not opposed to establishing relationships with this type of client. We take the view that sovereign states, within the limits of the law, regulations, national and international conventions, have the right to maintain public order, to participate in joint military missions or peacekeeping missions, and to defend themselves and to have armed forces properly equipped. However, we believe that certain companies, weapons and activities violate our values and business ethics. We do not engage with controversial weapons because of their particularly destructive nature and the results of their use: mass casualties and destruction in the area under attack, from which it is difficult to exclude civilians. By key components of controversial weapons we mean infrastructure, equipment parts and materials,

services and programmes and systems (mechanical, electronic and digital) specifically designed for controversial weapons.

In the *ESG Manual*, we have identified selected standards, guidelines and initiatives whose application can be an important reference in the social risk assessment process, such as: *Universal Declaration of Human Rights*, *UN Guiding Principles on Business and Human Rights*, *International Labour Organisation Conventions on Labour Standards*, *UN Global Compact*, *Guiding Principles on Business and Human Rights*, *ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*, *OECD Guidelines for Multinational Enterprises*.

Any caveats in the *ESG Manual* also apply to the Bank's suppliers (KYS process – *Know Your Supplier*).

We also pay increased attention to the credit analysis of corporate clients who operate in sectors we have identified as higher environmental and social risk.

Definitions and methodology

In establishing the principles and framework for ESG risk management, we are guided by the EBA guidelines EBA/GL/2020/06 of May 2020 on Loan origination and monitoring. From 30 June 2021, the bank is obliged, among other things, to include an assessment of the ESG exposure of its clients' business in its lending process. Guided by these guidelines, we have included environmental, social and governance factors in our credit risk appetite and incorporated them into our credit assessment processes for corporate clients. We have developed Environmental Risk Heatmaps, which provide a benchmark for individual corporate client assessments in manual pathways and also allow for sector and/or portfolio approaches in environmental risk assessment. Heatmaps for retail portfolios allowed for the assessment of environmental risk within a specific product group.

In the introduced standards on ESG risk management, we have also taken into account the provisions of the *ECB Guide on climate-related and environmental risks – Supervisory expectations relating to risk management and disclosure*, November 2020, and the *EBA Report on management and supervision on ESG risk for credit institutions and investment firms*, EBA/REP 2021/18, July 2021.

With regard to the ECB Guide, we conducted a compliance analysis in 2021, approved by the Credit Policy Committee. In 2022, we continued to work on fulfilling the recommendations from this document.

We have indicated in the ESG Risk Management Policy the methods, definitions and international standards used. Among other things, there we defined environmental, social and corporate governance risks, using the provisions of the *EBA Report on management and supervision on ESG risk for credit institutions and investment firms*, EBA/REP 2021/18, July 2021. There, we also identified the key ESG risk factors and their channels of transmission to traditional risks.



We continually monitor regulatory risks arising from changes in the legal environment in relation to the financial sector – following the work of regulators and legislative proposals. We participate in the work of the Polish Bank Association on the interpretation of ESG regulations.

Processes to identify, measure and monitor ESG risk-sensitive activities and exposures

As we treat ESG risk as an enabler of the core risks (credit, market, liquidity and funding, operational), most of the processes to identify, measure, monitor these risks have been built into the standard processes for managing these core risks.

The KYC process excludes the risk of establishing a new relationship with a client carrying out environmentally and/or socially harmful activities, and allows us to identify clients carrying out such activities among existing relationships, with the result that we stop offering them new products and services. Thus, the KYC process significantly mitigates environmental risks in the short, medium and long term, thereby affecting the level of credit, liquidity and funding and reputational risks.

As part of our standard corporate client credit risk management processes, we have included the identification, measurement/assessment and monitoring of individual client ESG risk (assessment in the credit application and the possibility of rating appeals), which affects the level of funding in manual processes. We have also included a sectoral assessment of environmental risk, which influences the level of financing in automated and semi-automated processes and provides a benchmark in the individual client's assessment. The relevant regulations and internal rules are contained in documents: *Credit Risk Management Policy, Sector Guidelines, Business Banking and Wholesale Banking client environmental risk heatmaps, ESG Manual, Corporate Client Credit Manual and Strategic Client Credit Manual*.

These *Environmental Risk Heatmaps* are based on an expert assessment of the environmental risk factors of each sector. They therefore provide both a benchmark for assessing the ESG risks of an individual client, but also allow for portfolio consideration and assessment of these risks, e.g.:

- by incorporating the Heatmap's assessment of the sector into the process of determining the overall classification of the sector, which is translated into the corporate client's credit limits in the automated and semi-automated processes,
- in the internal reporting of the bank's credit exposure to corporate clients in sectors with a certain level of risk.

Environmental risk heatmaps were drawn up with a medium time horizon of up to 5 years.

For investment projects subject to the *Equator Principles*, we apply this socio-environmental principles standard in the assessment of transactions. Projects that do not comply with the *Equator Principles* are not financed by the Bank.

For the retail mortgage portfolio and the retail cash loan portfolio, we also produced *Environmental Risk Heatmaps*. For the mortgage portfolio, the risks identified are related to physical risk factors and the low energy efficiency of the financed property. For the cash loan portfolio, we assessed the impact of ESG factors as indirect, mainly resulting from the potential destruction of client-owned property, loss/reduction of income due to, for example, loss of a job in a high-risk environmental sector, or reduction or loss of creditworthiness due to increases in energy prices.

For properties hedging retail and corporate credit exposures, we have provisionally assessed the physical risk as low. In addition, we do not accept collateral exposed to environmental risks (the relevant provisions are contained in the internal collateral instructions for each segment). In addition, flood risk for properties taken as collateral is examined in the valuation/valuation review process, e.g. in practice flood risk is part of the risk areas examined.

In 2022, we carried out for the first time an estimation of the physical climate risk in the bank's loan portfolio, in accordance with the *EU Commission Regulation (2022) laying down implementing technical standards with regard to the disclosure of information on environmental, social and corporate governance risks*.

We have defined a method for estimating/measuring the carbon performance of a portfolio of collateral properties (buildings/housing), including a portfolio of financed properties, and defined a method for estimating/measuring the CO₂ performance of a portfolio of financed activities.

In the KYC process for the bank's largest clients (strategic client segment), the ESG risk assessment at client level and the risk assessment at transaction level take into account social factors. Social risk factors such as, for example: human rights, labour rights, the impact of the activity on communities and societies are taken into account. We do not fund clients with an unacceptable level of ESG risk, and for clients with a high level of ESG risk, we conduct an in-depth assessment. We also have specific policies for the financing of areas with – in our view – high social risks, in line with the *ESG Manual* (e.g. arms, tobacco, chemicals, industrial processing, animal welfare).

In the credit process for clients in the medium and large business segment, in the standard path of the credit process we assess the client's sensitivity to social risk factors and its ability to mitigate these risks. In addition, we have identified and indicated sectors/areas sensitive to social risk – we require additional information from clients operating in these sectors/areas to assess social risk. We do not finance new clients for whom social risk has been assessed at an unacceptable level, and we can set corrective actions for clients with credit exposure with a high risk level. Reporting on the distribution of the portfolio of medium and large companies by level of social risk takes place on a semi-annual basis.



We do not accept collateral with which to bear social risks – the relevant provisions are contained in the internal collateral instructions for each segment.

We have defined corporate governance risk factors in the *ESG Manual* and take them into account in the ESG risk assessment of the bank's largest clients (strategic client segment clients), carried out as part of the KYC process, at the individual client level. Among other things, we analyse issues such as how the client reports the impact of the E and S factors, having a human rights policy, information on negative NGO/media campaigns or possible stakeholder protests.

In the manual credit process, credit analysis standards for strategic clients and medium and large companies include the requirement to assess the client's sensitivity to corporate governance risk factors (on a best knowledge basis) and to assess its ability to mitigate these risks. For large companies, the assessment of ESG risks is made on the basis of information contained in published non-financial risk strategies/reports.

As part of our liquidity risk management, we performed a stress test in 2021 with horizons of 5, 10 and 20 years. The test scenarios identified risks, trends in climate, business, legal and social changes that affect the Bank's liquidity. The results of the climate liquidity stress test indicate that the bank will maintain an adequate level of liquidity despite negative factors related to physical or transformation risk. As part of this stress test, we also considered the impact of physical and transformation risks on bond pricing and the impact on changes in credit volumes. The conclusions of this analysis will be used in determining the bank's development directions. This stress test will be repeated as necessary and, by design, at least every three years.

The current system for managing non-financial risks, including operational risks (including aspects of legal, compliance excluding greenwashing risks) – including reputational risks, addresses environmental and social risks. For example, there are separate categories of operational risk in the bank, such as business interruption – continuity risk, risk of inadequate staffing practices and workplace security, or risk of compromising the security of people and resources. The process of risk identification, measurement and monitoring is described in the *Operational Risk Management Policy at ING Bank Śląski S.A.* and in the document *Policy – Principles for Reputation Risk Management at ING Bank Śląski S.A.*

We are in the process of defining compliance measures internally to reduce the risk of greenwashing.

We run an internal training programme, as well as participating in external events on ESG risks. Training aims to build awareness of ESG risks and mitigate them through effective action by employees within the processes in which they participate.

ESG data

We are working to acquire environmental risk data, including highly precise location data for the risk of violent and progressive weather events, and precise data on the energy efficiency of buildings. We have access to data that has allowed us to make a very preliminary estimate of the exposure to physical climate risk, the CO2 emissions of

the loan portfolio and the carbon footprint of the collateral properties. We are following the external regulatory environment in terms of its translation into the introduction of publicly available databases containing information on, for example: energy performance certificates for buildings, CO2 emissions in bands I, II and III.

Channels of transmission of ESG factors into core risk categories

We expect the impact of higher energy costs from non-renewable sources on the debt repayment and debt service capacity of corporate and retail clients. For corporate clients in high transformation risk sectors, we expect additionally higher levels of their debt for the necessary transformation investments, possibly with increasingly lower yields if they do not address transformation risks. We have excluded corporate clients with environmentally damaging activities from financing, and have introduced steps in our lending processes to take a more prudent approach towards clients in sectors with high environmental risk.

Based on preliminary calculations, we do not expect a high cumulative impact of physical risk factors on the bank's collateral properties. We are trying to develop an approach to accurately identify the impact of physical risk factors on the type of business being conducted, in order to determine the potential impact on client PD. We have currently adopted a very precautionary approach in this regard, based on *Environmental Risk Heatmaps*. The area of physical risk will be subject to further analysis.

The results of the 2021 climate liquidity stress test indicate that the bank will maintain an adequate level of liquidity despite negative factors related to physical or transformation risks.

We have assessed that in the short term, social risks may materialise mainly through: major social incidents, fines paid resulting, for example, from non-compliance with labour laws, court cases, investor preferences – which may translate into higher costs of raising capital, contractor and consumer choices, the outflow of valuable labour (costs of recruitment processes, training for new employees, etc.).

Serious incidents in the area of human rights violations or accidents at work, especially when publicised in the media, can lead to a change in investor preferences (increased cost of raising capital) and a change in counterparty and consumer choices, thereby realising themselves in credit and market risk (reduced creditworthiness, reduced asset value).

Inadequate health and safety standards, e.g. a high number of serious occupational accidents or serious incidents of discrimination (especially publicised in the media), can result in court cases (costs) and the payment of fines or damages or compliance costs – compliance (reduced profitability of the company, reduced asset value). Failure to invest in employee well-being can lead to an exodus of the most valuable workforce (recruitment costs, costs of acquiring and training new employees). Consumer boycotts resulting from controversies around the conduct of business, manufacturing of products, services, unethical supply chain, conflicts of interest, can translate into a reduction/loss of creditworthiness, value of assets.



We recognise that the materiality of social risk may increase in the medium to long term, in particular due to changes in policy and market sentiment related to social transformation, the introduction of enforcement mechanisms into the legal system (e.g. equal pay) and the implementation of social risk reporting requirements (ESRS) to ensure comparability of disclosures. Social risks can be realised in particular in the case of clients who are not prepared or willing to adapt or do not have the necessary resources, and can therefore become the target of complaints, be affected by lawsuits, market pressures or reputational risks.

We expect changes in external legislation to regulate greenwashing. We attach great importance to transparency in our information policy and transparency in the products and services we offer. In our view, this approach minimises the risk of being suspected of greenwashing. We are in the process of defining compliance measures internally to mitigate this risk.



Accounting Act Compliance table

Mandatory disclosures under the Accounting Act	
ING Bank Śląski S.A.	ING Bank Śląski S.A. Group
Description of the business model	Description of the business model
Key non-financial performance indicators	Key non-financial performance indicators
Social area-related policies	Social area-related policies
Employee issues-related policies	Employee issues-related policies
Policies on human rights issues	Policies on human rights issues
Policies on environmental issues	Policies on environmental issues
Anti-corruption policies	Anti-corruption policies
Relevant risks for non-financial issues	Relevant risks for non-financial issues



SIGNATURES OF THE MANAGEMENT BOARD MEMBERS OF ING BANK ŚLĄSKI S.A.

2022-03-15	Brunon Bartkiewicz President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Joanna Erdman Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Marcin Giżycki Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Bożena Graczyk Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Ewa Łuniewska Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Michał H. Mrożek Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Sławomir Soszyński Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>
2022-03-15	Alicja Żyła Vice-President	<i>The original Polish document is signed with a qualified electronic signature</i>