

**Report of the ING Bank Śląski S.A. Supervisory Board
on Their Operations for 2020**

Pursuant to Article 382 §1 of the Commercial Companies and Partnerships Code and the provisions of the Best Practice for WSE Listed Companies, the ING Bank Śląski S.A. Supervisory Board herewith submit to the Ordinary General Meeting the *Report of the ING Bank Śląski S.A. Supervisory Board on Their Operations for 2020*.

I. Legal basis of the functioning of the Supervisory Board at ING Bank Śląski S.A.

The ING Bank Śląski S.A. Supervisory Board operate pursuant to the Banking Law, the Commercial Companies and Partnerships Code, the Bank Charter and the Supervisory Board Bylaw. Pursuant to §19.5 of the ING Bank Śląski S.A. Charter, Supervisory Board Members shall be appointed for the joint term of office which shall commence as of the appointment date and shall last for the full four consecutive financial years. The current term of office started on 29 March 2019 and will expire as at the date at which the General Meeting approve the financial statements for 2023.

II. Composition of the Supervisory Board at ING Bank Śląski S.A., division of functions, and changes on the Supervisory Board during the financial year

2020 saw the following changes on the Supervisory Board:

On 27 February 2020, Mr Ad Kas tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, effective as of the date of the General Meeting approving the 2019 financial statements, due to the appointment to the acting Vice-President of the Management Board responsible for the Risk Division for ING France. The resignation of Mr Ad Kas entailed a change to the composition of the Risk Committee which he was the member of.

On 3 March 2020, Mr Norman Tambach tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, effective as of the date of the General Meeting approving the 2019 financial statements. Mr Norman Tambach did not substantiate his resignation. The resignation of Mr Norman Tambach entailed a change to the composition of the Audit Committee which he was the member of.

On 2 April 2020, the General Meeting appointed Ms Susan Poot and Mr Remco Nieland as the Supervisory Board Members, effective as of 1 May 2020. The new Members have ties with the ING Group.



As at 31.12.2020, the Supervisory Board worked in the following composition:

Antoni F. Reczek	-	Chairman (independent Member)
Małgorzata Kołakowska	-	Deputy Chair
Aleksander Galos	-	Secretary (independent member)
Aleksander Kutela	-	Member (independent member)
Remco Nieland	-	Member
Susan Poot	-	Member
Michał Szczurek	-	Member

Pursuant to Chapter III (1) of the *Policy for the Assessment of the Suitability of the Members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.*, the Supervisory Board Remuneration and Nomination Committee together with a third party, EY Doradztwo Podatkowe Krupa Sp.k., conducted an individual assessment of the candidates for the Supervisory Board Members and a collective assessment of the Supervisory Board and concluded that the competences of the individual members of the Supervisory Board were complementary and allowed for ensuring adequate level of collective performance of supervision duties in respect of all business areas of the Bank. The relevant recommendation of the Remuneration and Nomination Committee was published on the Bank's website before the date of the General Meeting.

III. Compliance with the *Principles of Corporate Governance for Supervised Institutions and Best Practice for WSE Listed Companies.*

The Supervisory Body fulfil their tasks pursuant to a special authorisation granted under the *Company Charter and the Supervisory Board Bylaw* as well as the requirements of the *Principles of Corporate Governance for Supervised Institutions and the Best Practice for WSE Listed Companies.*

As per the *Best Practice for WSE Listed Companies*, the criteria of independence are satisfied by the requisite number of Board Members. According to the statements filed by the Members of the Supervisory Board, three (3) out of seven (7) Members of the Supervisory Board meet the independence criteria. Those are: the Supervisory Board Chairman – Mr Antoni F. Reczek, the Supervisory Board Secretary – Mr Aleksander Galos and Mr Aleksander Kutela who is a Member of the Supervisory Board. The other Members, namely: Ms Małgorzata Kołakowska, Mr Remco Nieland, Ms Susan Poot and Mr Michał Szczurek have ties with ING Bank N.V., the strategic shareholder of the Bank.

In keeping with the Bank's practice, the independent members file each year a statement to confirm that they have no relationship with the Bank, its shareholders, or employees that could have significant impact on their ability to make impartial decisions. Furthermore, Members are required to notify the Bank immediately of occurrence of any circumstances impacting their independence. On 2 April 2020, that is on the day of the Ordinary General Meeting of Bank, the independent members re-submitted such statements. Therefore, the Board confirmed that there were neither ties nor circumstances which would compromise the satisfaction of independence criteria by the Board Members. Their status has not changed ever since. Professional resumes of all the Supervisory Board Members, including their



functions on the Supervisory Board Committees, have been published on the Bank's website. Short personal bios of Board Members with their individual competencies have been given below. Furthermore, on the Bank's website, there are annotations on filing independence statements or statements on ties with ING Bank N.V. There is also the information on compliance with the requirements under Article 22aa of the Polish Banking Law Act. In keeping with the Best Practice for WSE Listed Companies, there is also an update on the share of men and women in the Management Board and Supervisory Board of ING Bank Śląski S.A. on the Bank's website.

Pursuant to the self-assessment of the Supervisory Board in H1 2020, the Supervisory Board confirm that the number of members is sufficient for and adequate to the nature and to the scale of the Bank's operations. At the same time, the Supervisory Board are of the opinion that the diversified composition of the Supervisory Board and the fact that members stem from various circles and demonstrate diverse skills, practical experience and expertise ensures efficient oversight and warrants due performance of duties and responsibilities entrusted thereto.

IV. Competency Profiles of Supervisory Board Members

Supervisory Board Members have high qualifications. All Members have the relevant experience and knowledge that enable them to exercise oversight of the Bank. Five out of seven Board Members are Polish and they speak Polish fluently. The new Board Members, appointed in 2020, were onboarded in keeping with the *Induction and Training Policy for ING Bank Śląski S.A. Supervisory Board and Management Board Members and Key Function Holders*, adopted by the Supervisory Board.

Short personal bios of Board Members showing their individual competencies have been given below.

Mr Antoni F. Reczek

Supervisory Board Chairman, Audit Committee Chairman, Risk Committee Chairman

Has Master's degree in Economics after graduating from the Strathclyde University, Glasgow, Scotland. Chartered Accountant (C.A.) of the Institute of Chartered Accountants of Scotland since 1983. Since 1993 has been the Chartered Auditor of the Republic of Poland, which is the confirmation of his knowledge and competence in the area of financial auditing, as required under Article 129.1 of the Act on Statutory Auditors, Auditing Firms and Public Oversight of 11 May 2017. For nearly twenty years of his professional career he was working for PricewaterhouseCoopers Sp. z o.o. In 2008-2011, he was Member of the Council of the Polish Chamber of Certified Auditors. Since 2014 he has been the Member and Chairman of the ING Supervisory Board.

Ms Małgorzata Kołakowska

Supervisory Board Deputy Chair, Remuneration and Nomination Committee Member, Audit Committee Member

Graduated from the Faculty of International Trade Economics and Organisation at the Main School of Planning and Statistics (at present Warsaw School of Economics). In 2014, she completed the Advanced Management Program (AMP) at the Harvard Business School. From February 2010 to March 2016, she was the President of the Management Board of ING Bank Śląski S.A. Since 2018 she has been



the CEO of ING Bank NV, London Branch (the United Kingdom, Middle East). Before joining ING, she was the Director at the European Bank of Reconstruction and Development and McDonald's Poland.

Mr Aleksander Galos

Supervisory Board Secretary, Risk Committee Chairman, Remuneration and Nomination Committee Member, Audit Committee Member

Holds a Law degree. In 1984, he graduated from the School of Law and Administration of the Jagiellonian University in Kraków. Legal Counsel since 1994. In 2009, he completed with diploma post-graduate studies in Management at the Warsaw School of Economics. In 2009-2010, he studied at the Warsaw School of Economics – post-graduate studies in Accounting (without diploma). He was member of the Supervisory Board of Bank PKO BP S.A. and Bank Zachodni WBK S.A. for example. Since 2014 he has been the Member and Secretary of the ING Bank Śląski S.A. Supervisory Board. At present, he is Partner at the Kocharński Zięba i Partnerzy Law Firm

Mr Aleksander Kutela

Supervisory Board Member, Remuneration and Nomination Committee Chairman, Audit Committee Member, Risk Committee Member

Master of Economics after graduating from the Faculty of International Business and Politics at the University of Economics, Kraków. In 2005, he completed the General Management Program at the Harvard Business School. In 2002-2015, he was the President of the Management Board of HBO Polska and in 2015-2018 the CEO of the Onet.pl S.A. Group. Since 2014 he has been the member of the ING Bank Śląski S.A. Supervisory Board. At present, he is working for Ringier Axel Springer Polska.

Mr Remco Nieland

Supervisory Board Member, Audit Committee Member

Graduated from the Faculty of Business Economics at the Vrije Universiteit Amsterdam. Chartered Controller since 1992, after completing post-graduate studies at Vrije Universiteit, Amsterdam. He has been working at ING Group since the formative years of his career. He was Head Global Financial Reporting, Commercial Banking International for example. At present, he is the Group CFO for Challengers & Growth Markets.

Ms Susan Poot

Supervisory Board Member, Risk Committee Member

Graduated from the Faculty of Business Economics at the University Amsterdam. In 2007, she completed the Executive Banking programme at Insead, Fontainebleau. She has been working at ING Group since the formative years of her career. She was Global Head Financial Institutions Lending and Global Head Credit Restructuring for example. At present, she is ING Group CRO for Challengers & Growth Markets.

Mr Michał Szczurek

Supervisory Board Member, Risk Committee Member

Master of Science, Economic Sciences, after completing a joint programme of Warsaw University and Columbia University. Has Master's degree, Faculty of Law and Administration, Warsaw University and



Master's degree, Department of Computer Sciences, Faculty of Electronics, University of Warsaw. He has been working at ING Group since the formative years of his career. He was the Vice-President of the Management Board in charge of finance and investment policy of the pension fund Nationale-Nederlanden Polska PTE S.A. and the Vice-President of the Management Board of ING Bank Śląski supervising the Retail Banking Division and the CEO of ING Bank, Romania, for example. At present, he is Head of Challengers & Growth Markets (C&G), ING Asia.

The above details have been summarised in the table below.

INDEPENDENCE CRITERION AND COMPETENCIES		Satisfies the criterion of independence as per the Act on Statutory Auditors, Auditing Firms and Public Oversight	Knowledge of and competency in accounting or financial statements auditing, confirmed with the qualifications of the chartered auditor		Has knowledge of and competency in the banking area
			satisfies the criterion	qualifications	
	Antoni F. Reczek	yes	yes	Chartered Accountant in Scotland and Poland	yes
	Małgorzata Kołakowska	no	no		yes
	Aleksander Galos	yes	yes		yes
	Aleksander Kutela	yes	yes		yes
	Remco Nieland	no	yes	Chartered Controller in the Netherlands	yes
	Susan Poot	no	no		yes
	Michał Szczurek	no	no		yes

V. Form and manner of oversight. Number and frequency of the Supervisory Board meetings. Number of resolutions passed by the Supervisory Board

The Supervisory Board works according to a meetings schedule and a framework plan of work. The Board debates analysing the company situation versus the sector and the market, based on the materials submitted by the company management board and those coming from internal systems and functions of the company as well as those attained from exterior sources, also taking advantage of the works of its committees. In particular, the Supervisory Board provides advice on the company strategy and verifies the performance of the management board as far as preset strategic goals are concerned. Further, the Board monitors the results of the company.

In 2020, meeting agendas included ongoing business matters, submissions made by the Bank Management Board as well as any other material issues that required attention of the Supervisory Board. Updates on the impact of the coronavirus pandemic on the Bank's business also were among the regular agenda items. The Supervisory Board exercised oversight of the Bank's operations primarily during the meetings and took the required decisions in the form of resolutions. During the meetings, the Members of the Supervisory Board are joined by Members of the Management Board as well as the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and other invited guests who give presentations on specific topics within their competence.

In 2020, Supervisory Board Members devoted sufficient time to performance of their duties. Between 1 January and 31 December 2020, the Supervisory Board met nine times at the following dates: 30 January, 6 March, 2 April, 15 May, 5 June, 30 June, 25 September, 20 November and 18 December. Due to the outbreak of the coronavirus pandemic in Q1 2020, since April the meetings took the form of videoconferences/online meetings. In total, the Supervisory Board adopted 121 resolutions, including 24 passed by way of circulation. All the meetings were quorate and held in line with the procedures so that binding resolutions could be taken; the attendance rate during the meetings was very high.

Attendance of the Supervisory Board Members in 2020 has been shown in the table below.

	Attendance in 2020*
Antoni F. Reczek	9/9
Małgorzata Kołakowska	6/9
Aleksander Galos	9/9
Aleksander Kutela	7/9
Remco Nieland	6/6**



Susan Poot	6/6**
Michał Szczurek	8/9

* Meeting attendance / Number of meetings during the term of office.

** New Supervisory Board Members attended all six Supervisory Board meetings which were held from the date of their appointment; i.e. 1 May 2020.

In addition to regular meetings, the Members of the Supervisory Board stayed in regular and direct contact with the Bank Management Board and took an active part in all the material matters concerning the Company business. The Chairman of the Supervisory Board (who also chairs the Audit Committee) held regular meetings with the Bank CFO to discuss the Bank's financial statements prior to their publication.

A detailed description of the actions taken by the Supervisory Board in 2020 is presented in the minutes from the Supervisory Board meetings; the minutes and the resolutions passed by the Supervisory Board are kept at the Company's registered office.

Additionally, Members of the Supervisory Board attended internal training sessions held by the Bank. These were interactive workshops on the situation of banks and trends in banking and the financial market in the era of digitalization and workshops on the internal control system at the Bank. Independent Board Members were involved in the selection process of a new suitability assessment provider for the Members of the Supervisory Board, Management Board and key function holders at the Bank. Selected Board Members met with the inspectors of the Polish Financial Supervision Authority during the PFSA inspection at the Bank.

VI. Agenda of the Supervisory Board Meetings

In 2020, the Supervisory Board exercised ongoing oversight over the Company operations and kept watch over the Company adherence to the relevant regulations in the area of accounting, finance and reporting of public companies. The works of the Supervisory Board proceeded smoothly, with all members taking an active part in them.

During the meetings, the Supervisory Board reviewed the matters required under the Commercial Companies and Partnerships Code as well as the matters relating to the day-to-day operations of the Company. The Supervisory Board received extensive reports from the Bank Management Board regarding the current financial standing of the Bank, its functioning, action plans and all the material developments that may have an impact on its functioning.

In the course of works in Q1 2020, the Supervisory Board developed and submitted to the Ordinary General Meeting: the requisite report on the evaluation of the Bank's standing, including the assessment of the internal control system, risk management system, compliance and the internal audit function, and also the Board's report on their operations. Furthermore, the Board submitted to



the Ordinary General Meeting the assessment on satisfaction of corporate governance-related disclosure duties by the Bank and assessment of the rationality of the Bank's policy concerning sponsorship and charity initiatives. In 2020, the Supervisory Board reviewed and made a positive opinion for the General Meeting on the draft resolutions of the Ordinary General Meeting convened on 2 April 2020.

Further, due to the expiry of the term of office of the Bank Management Board, on 2 April 2020, the Supervisory Board appointed Mr Brunon Bartkiewicz as the President of the ING Bank Śląski S.A. Management Board as well as the Management Board for a new term of office.

The topics discussed by the Board in 2020 have been detailed below. Those topics were also discussed by the Supervisory Board Committees (within their remit) who gave their recommendations and opinions for the Supervisory Board.

1) Finance, including:

- approval of the Bank Strategy and MTP for 2020-2022 and continuous oversight of the implementation of the approved financial plan,
- the report on the results of review of the annual financial statements of ING Bank Śląski for 2019, Reports of the ING Bank Śląski S.A. Management Board on Bank's Operations in 2019 and review of the Bank Management Board motion regarding distribution of the profit earned by the Bank in 2019,
- the report on the results of review of the annual consolidated financial statements of the ING Bank Śląski S.A. Group for 2019 and the Bank Management Board's Report on the Operations of the ING Bank Śląski S.A. Group for 2019,
- approval of amendments to the *Capital Management Policy at ING Bank Śląski S.A.*,
- approval of the 2019 ING Bank Śląski S.A. ICAAP Report,
- approval of amendments to the *Dividend Policy of the Bank*,
- approval of the updated Recovery Plan for ING Bank Śląski S.A.,
- the Management Board's update on related-party agreements,
- regular update of the Management Board on the operations of the of ING Bank Śląski S.A. Brokerage Office,
- regular report on capital investments as required by the *ING Bank Śląski S.A. Equity Investment and Corporate Governance Policy*,
- annual report on the supervision system in custody operations, and
- annual report on performance by the Bank of the duties of issue or placement of financial instruments and recommendation, offering or other provision of financial instruments for acquisition or take-up by the clients of the Retail Banking Division, Wholesale Banking and Business Clients Divisions.

2) Internal audit at the Bank, including:

- approval of the Report on the status of the 2019 audit plan delivery and the status and changes in due dates of audit issue closure,
- approval of the Annual Report on delivery of the objectives, mission and strategy including



- internal control system and risk management system assessment for 2019,
 - approval of the Report on the results of quality assurance and improvement process within internal audit function for 2019,
 - approval of the revised 2020 Audit Plan,
 - approval of the revised *Policy – the Audit Charter*,
 - approval of the Report on the audit of the principles of remunerating the persons holding managerial positions having material impact on the risk profile of (“Identified Staff”) at ING Bank Śląski S.A.,
 - approval of the Report on the status of the 2020 audit plan delivery and the status and changes in due dates of audit issue closure plus regular updates,
 - approval of the Audit Strategy Memorandum (ASM) including long-term planning for the years 2021-2023 and the 2021 Audit Plan, and
 - approval of the Report on the review of the headcount level and structure, job description and remuneration for the Internal Audit Department.
- 3) Compliance at the Bank, including:
- approval of amendments to the *Compliance Policy of ING Bank Śląski S.A.* and introduction of a new *Bylaw of the Centre of Expertise – Compliance*,
 - appointment of the Centre of Expertise Lead II – Compliance, Chief Compliance Officer,
 - approval of the Report on the review of the headcount level and structure, job description and remuneration for the Centre of Expertise – Compliance.
 - update on the implementation of the Annual Compliance Plan,
 - regular updates from the compliance risk area at the Bank, and
 - regular updates on the Know Your Customer area at the Bank.
- 4) Monitoring the efficiency of the risk management system at the Bank, including non-financial risk and compliance risk, including:
- approval of the high-level RAS parameters for 2020 and of their increase,
 - adoption of the Non-financial Risk Appetite Statement of the Bank for 2020 (as amended), and oversight of its implementation,
 - approval of the ING Bank Śląski S.A. ILAAP Review Report for 2019,
 - approval of amendments to the *Policy – Internal Control System at ING Bank Śląski S.A.*,
 - approval of the criteria for assessing the effectiveness and adequacy of the Internal Control System,
 - approval of the Report on fulfilment of the internal control system tasks for 2019,
 - approval of amendments to the *General Principles of Credit, Market, Liquidity and Funding and Operational Risk Management and Mitigation in ING Bank Śląski S.A.*,
 - consent to conclusion of significant agreements by the Bank,
 - approval of amendments to the *ING Bank Śląski S.A. Operational Risk Management Policy*, and
 - update on the reports submitted to the parent entity by CRO Division units.



- 5) Relations with the external auditor, including:
- selection of the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group,
 - approval of amendments to the *Policy on selection of the auditing firm to audit the financial statements, assessment of its independence and provision of other permitted services at ING Bank Śląski S.A.*, and
 - approval of the revised *Manual – Rules of conduct in the process of disclosure and exchange of data and information between participants of the financial statements audit and supervision process at ING Bank Śląski S.A.*,
- 6) Monitoring and supervising the HR and payroll area at the Bank, including:
- approval of amendments to the *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and Variable Components of Remuneration of ING Bank Śląski S.A.*,
 - approval of amendments to the *Variable Remuneration Policy of Identified Staff of ING Bank Śląski S.A.*,
 - assessment of the 2019 performance of the Members of the Bank Management Board and setting KPIs for 2020,
 - approval of amendments to the *Policy for the Assessment of the Suitability of the members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.*,
 - approval of the Internal Audit Department's Report on the audit of the process of remunerating the persons holding managerial positions having material impact on the risk profile of ("Identified Staff") at the Bank,
 - advising on amendments to the *ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy due to the revision of the Act on Public Offering*,
 - approval of amendments to the *ING Bank Śląski S.A. Group Remuneration Policy*,
 - approval of amendments to the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*,
 - approval of amendments to the *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.*,
 - approval of amendments to the *List of qualitative and quantitative criteria and the additional criteria qualifying staff members to be included in the 2020 List of Identified Staff of ING Bank Śląski S.A.*,
 - approval of the Report regarding the implementation of the pay policy in relation to the internal audit employees and the Internal Audit Director,
 - approval of the Report regarding the implementation of the pay policy in relation to the employees and Lead II of the Centre of Expertise – Compliance,
 - approval of the remuneration packages of people holding control functions at the Bank,
 - consent to holding functions at external institutions by Bank Management Board Members,
 - suitability assessment and appointment of Mr Michał H. Mrozek as a new Bank Management Board Member – the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the Wholesale Banking Division,
 - acceptance of resignation of Mr Michał Bolesławski from the capacity of the Vice-President of



- the ING Bank Śląski S.A. Management Board responsible for supervision over of the Business Clients Division,
 - acceptance of resignation of Mr Lorenzo Tassan-Bassut from the capacity of the Vice-President of the ING Bank Śląski S.A. Management Board responsible for supervision over of the COO Division,
 - suitability assessment and appointment of Ms Ewa Łuniewska as a new Bank Management Board Member – the Vice-President of the ING Bank Śląski S.A. Management Board responsible for the Business Clients Division,
 - update regarding payroll policy at the Bank in 2020, and
 - approval of the succession review for the positions of the Management Board Members.
- 7) Implementation of the recommendations issued by the Polish Financial Supervision Authority:
- review of the schedule of works regarding the implementation of post-inspection recommendations of the Polish Financial Supervision Authority,
 - monitoring of the implementation of the action plan for the post-inspection recommendations issued by the Polish Financial Supervision Authority,
 - update on the implementation of the General Data Protection Regulation (GDPR) requirements by the Bank,
 - bancassurance policy implementation under Recommendation U,
 - report on the Bank Clients' complaints and client voice, and
 - update on satisfaction of disclosure duties by the Bank in 2020.
- 8) Bank governance area:
- approval of amendments to the Bylaws of the Supervisory Board and their committees,
 - approval of amendments to the ING Bank Śląski S.A. Management Board Bylaw,
 - approval of the amendments to the ING Bank Śląski S.A. Organisational Bylaw and periodical amendments to Enclosure No. 2 therewith,
 - approval of the 2021 Outline Work Plan of the Supervisory Board,
 - regular updates on the actions taken by the Bank in response to the coronavirus pandemic, and
 - annual Management Board's update on the main changes within the Bank's organisational framework.

VII. Self-assessment of the Supervisory Board's Work in 2020.

In 2020, the Supervisory Board assisted and advised the Management Board on all the matters pertaining to the Bank and its business. The Supervisory Board monitored the implementation of the Bank's strategy on an ongoing basis.

The Supervisory Board confirm that they have exercised regular and ongoing supervision over the Bank's business throughout 2020 in accordance with their powers and the legal requirements concerning joint-stock companies. The Supervisory Board Members are well prepared to exercise all



the statutory and Charter-defined rights and duties and perform their tasks properly, ensuring adequate supervision over the Bank in all material aspects of its operations. All Members of the Supervisory Board exercised their duties with due care, while taking advantage of their knowledge and experience in terms of supervising a joint-stock company. The Supervisory Board consider their operations in 2020 to have been effective and in keeping with the best market standards.

Members of the Supervisory Board performed their responsibilities in an honest and reliable manner. All meetings were held with a very attendance rate. Board Members were able to devote sufficient time to performing their duties. Acting in the company's interest, Board Members followed their independent opinions and judgements in their actions. In that manner, the Board was able to assess and verify the way of taking and implementing decisions connected with day-to-day management of the Bank in an effective manner.

The cooperation with the Bank Management Board was very good; the Management Board provided the required information in a clear, reliable and exhaustive manner. The Supervisory Board would like to thank the Management Board for the successful implementation of the strategy in 2020.

Bearing in mind the fact that 2020 was domineered by uncertainty and unpredictability of market conditions, as driven by the coronavirus pandemic, the Board would like to express deep appreciation for the actions taken by the Management Board not only to ensure further development of the Bank, but also for the society and local communities. The Supervisory Board would like to thank the Management Board for the appropriate approach to client experience under the circumstances, constant care about employees, and those affected by the pandemic in particular, and a proactive approach of the Management Board, and thus of the entire Bank, to important social matters. Further, the Board would like to thank Bank employees for their effort and engagement in such a difficult period.

Keeping in mind the Bank's results and overall performance, the Supervisory Board request that the General Meeting acknowledge the fulfilment of duties by the members of the Bank's bodies in 2020.



Report of the Supervisory Board Committees on Their Operations in 2020

In order to ensure support for the Supervisory Board in exercising their powers, the Supervisory Board established from their Members three committees: the Audit Committee, the Remuneration and Nomination Committee and the Risk Committee.

The Committees perform consulting and advisory functions by preparing recommendations for the Supervisory Board; the Committee chairmen give reports from the Committee work during the Supervisory Board meetings.

The composition of individual Committees as at 2020 yearend has been given below.

Audit Committee	Remuneration and Nomination Committee	Risk Committee
Antoni F. Reczek	Aleksander Kutela	Aleksander Galos
Małgorzata Kołakowska	Małgorzata Kołakowska	Aleksander Kutela
Aleksander Galos	Aleksander Galos	Susan Poot
Aleksander Kutela		Antoni F. Reczek
Remco Nieland		Michał Szczurek

Audit Committee

The Audit Committee of the Supervisory Board of ING Bank Śląski S.A., hereinafter referred to as the Audit Committee or the Committee, perform consultation and advisory functions for the Supervisory Board, and also deliver on other tasks under the law, instructions and recommendations of the regulator. The Audit Committee support the Supervisory Board with regard to monitoring the financial reporting, monitoring and supervising the internal- and external audit and the management system at the Bank and its subsidiaries.

I. Composition of the ING Bank Śląski S.A. Audit Committee and changes on the Committee during the financial year

From 1 January 2020 to 30 April 2020, the Audit Committee worked in the following composition:

Antoni F. Reczek	-	Chairman (independent Member)
Małgorzata Kołakowska	-	Member
Aleksander Galos	-	Member (independent member)
Aleksander Kutela	-	Member (independent member)
Norman Tambach	-	Member

2020 saw the following changes on the Audit Committee:



On 3 March 2020, Mr Norman Tambach tendered his resignation from the capacity as the Supervisory Board Member, and thus the Audit Committee Member, effective as of the date of the General Meeting approving the 2019 financial statements. Mr Norman Tambach did not substantiate his resignation.

On 2 April 2020, the Supervisory Board appointed Mr Remco Nieland who has ties with ING Group as Member of the Committee as of 1 May 2020.

Hence, since 1 May 2020, the composition of the Audit Committee was as follows:

Antoni F. Reczek	-	Chairman (independent Member)
Małgorzata Kołakowska	-	Member
Aleksander Galos	-	Member (independent member)
Aleksander Kutela	-	Member (independent member)
Remco Nieland	-	Member

As required under the Statutory Auditors Act of 11 May 2017, the majority of the Committee members, the Committee Chairman included, satisfy the independence criteria. The Committee members have the knowledge and experience in accounting or financial auditing, with Mr Antoni Reczek having the licence of the statutory auditor and Mr Remco Nieland having the licence of the chartered controller.

II. Number and frequency of the Audit Committee meetings. Number of recommendations passed by the Committee

The Audit Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations and issuing relevant opinions. During the meetings, the Committee members are joined by members of the Management Board, the Heads of the Internal Audit Department and Centre of Expertise – Compliance, the Accounting Department Director – Chief Accountant, the Operational Risk Management Department Director, and also representatives of the auditing firm.

Between 1 January and 31 December 2020, the Audit Committee met six times at the following dates: 30 January, 5 February, 6 March, 5 June, 25 September and 20 November.

In line with the requirements of the Bylaw of the Audit Committee, on 20 November 2020 the Audit Committee also held a closed meeting with the representatives of the external and internal auditors.

The Audit Committee issued 23 recommendations for the Supervisory Board in total (including 1 by way of circulation) as well as 1 letter of advice by way of circulation and 2 decisions. All the meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

Attendance of the Audit Committee Members in 2020 has been shown in the table below.



	Attendance in 2020*
Antoni F. Reczek	7/7
Małgorzata Kołakowska	7/7
Aleksander Galos	6/7
Aleksander Kutela	5/7
Remco Nieland	4/4**

* Meeting attendance / Number of meetings during the term of office.

** A new Audit Committee Member attended all four Committee meetings which were held from the date of his appointment; i.e. 1 May 2020.

III. Agenda of the Audit Committee Meetings

In 2020, the Committee focused *inter alia* on the following areas:

- monitoring of the adequacy and effectiveness of the internal control system and risk management system, including compliance risk,
- development and submission to the Supervisory Board of recommendations on amendments to the policy on selection of the auditing firm to audit the financial statements and the policy concerning provision of permitted services other than audit by entities related with that auditing firm and by the member of the auditing firm network,
- determination of the scope of works of the entity authorised to audit the financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group, after selection of the authorised entity by the Supervisory Board,
- supervision of the Bank's relationship with the entity auditing the financial statements of the Bank, including analysis of the work performed by the entity authorised to audit the financial statements and audit results as well as Management Letter assumptions,
- assessment of the annual financial statements of ING Bank Śląski S.A. and the consolidated financial statements of the ING Bank Śląski S.A. Group,
- analysis of the information and materials provided from time to time by the external auditor and presentations of the external auditor delivered for the Audit Committee Members directly at Committee meetings,
- regular analysis of periodical reports from the Director of the Internal Audit Department on the status of the annual audit plan 2020 delivery and the status and changes in due dates of audit issue closure,
- development and submission to the Supervisory Board of recommendations on amendments to the *Policy – the Audit Charter*,

As part of their work, the Committee concluded that both the Internal Audit Department and the



external auditor were able to perform their tasks in an independent and impartial manner. Therefore, the Committee confirm that they do not have any reservations about the independent audit process at the Bank.

Other areas of the Audit Committee works in 2020 included but were not limited to:

- assessment and submission of a recommendation on the dividend policy,
- monitoring of the Bank's relationship with related entities, including analysis of periodical information on agreements with related entities,
- supervision of compliance area at the Bank, including development and submission to the Supervisory Board of recommendations on amendments to the *Compliance Policy of ING Bank Śląski S.A.* and introduction of a new *Bylaw of the Centre of Expertise – Compliance*,
- regular analysis of periodical reports – the quarterly compliance risk report,
- analysis of a list of critical- and high-risk recommendations,
- analysis of information on financial and regulatory reporting and control environment for reporting.

Furthermore, following the publication on 24 December 2019 by the Polish Financial Supervision Authority Office of *Good practices for public interest entities concerning the rules of establishment, composition and functioning of the audit committee*, the Audit Committee reviewed the document at the first meeting on 30 January 2020.

Taking into account its provisions concerning the activities in the areas of:

- monitoring of the financial reporting process,
 - monitoring of effectiveness of internal control systems, internal audit as well as risk management,
 - monitoring and financial revision,
 - as well as control and monitoring of independence of the statutory auditor and the auditing firm, notably, when the auditing firm provides the public interest entity with non-audit services,
- in the course of their works in 2020, based on the information and documents provided by the Bank Management Board as well as analyses during the sessions, the Audit Committee made assessment of risk of the processes and areas under monitoring. Committee's assessment did not differ from that of the Management Board. No areas were identified for which the activities taken by the Management Board would be inadequate to the situation of the Bank, market requirements or regulatory recommendations. The areas of particular focus of the Committee were: compliance, model risk, IT and outsourcing.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee support the Supervisory Board with regard to the monitoring and supervision of the HR and payroll area, including, in particular, succession plans, employee-turnover processes, employee satisfaction surveys as well as the remunerating and rewarding policy.

In keeping with the EBA Guidelines concerning the proper remuneration policy referred to in Article 74



section 3 and Article 75 section 2 of Directive 2013/36/EU as well as disclosing information in accordance with Article 450 of EU Regulation No 575/2013 (Chapter 4, Title I, item 2.4.1 (50)), the majority of the Committee members, including its chairman, are independent members.

I. Composition of the ING Bank Śląski S.A. Remuneration and Nomination Committee and changes on the Committee during the financial year

From 1 January 2020 to 31 December 2020, the Remuneration and Nomination Committee worked in the following composition:

Aleksander Kutela	–	Chairman (independent member)
Małgorzata Kołakowska	–	Member
Aleksander Galos	–	Member (independent member)

There were no changes on the Remuneration and Nomination Committee in 2020.

II. Number and frequency of the Remuneration and Nomination Committee meetings. Number of recommendations passed by the Committee

The Remuneration and Nomination Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations and issuing relevant opinions. The CEO, the Bank Executive Director in charge of the Centre of Expertise – HR and the Director of the Centre of Expertise for personnel matters attend the Committee meetings on a regular basis.

Between 1 January to 31 December 2020, the Remuneration and Nomination Committee met ten times. The meetings of the Remuneration and Nomination Committee were held at the following dates: 30 January, 6 March, 27 March, 2 April, 15 May, 5 June, 25 September, 12 November, 20 November and 18 December.

The Committee issued 41 recommendations in total (including 2 by way of circulation) and 4 letters of advice for the Supervisory Board, including 1 by way of circulation. Furthermore, the Committee made 1 assessment and 2 decisions.

Attendance of the Remuneration and Nomination Committee Members in 2020 has been shown in the table below.



	Attendance in 2020*
Aleksander Kutela	9/10
Małgorzata Kołakowska	9/10
Aleksander Galos	10/10

* Meeting attendance / Number of meetings during the term of office.

III. Agenda of the Remuneration and Nomination Committee Meetings

In 2020, the Committee focused *inter alia* on the following areas:

- active supervision of the process of suitability assessment for the members of the Supervisory Board, Management Board and key function holders at the Bank,
- monitoring of adequacy and effectiveness of the Bank's policy in the employment area, including development and submission to the Supervisory Board of recommendations on the following documents:
 - *Policy for the Assessment of the Suitability of the Members of the Supervisory Board, Management Board and key function holders at ING Bank Śląski S.A.,*
 - *List of qualitative and quantitative criteria and the additional criteria for qualifying Staff Members to be included in the ING Bank Śląski S.A. List of Identified Staff for 2020,*
- supervision of the recruitment process for the Bank Management Board Member due to changes on the Management Board,
- issue of opinions on the recruitment process for the Bank Management Board Member,
- determination of the target representation of the underrepresented gender on the Bank Management Board in line with the *Diversity Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members,*
- succession review for the positions of the Management Board Members,
- monitoring of adequacy and effectiveness of the Bank's policy in the payroll area, including development and submission to the Supervisory Board of recommendations on the following documents:
 - *Variable Remuneration Policy of Identified Staff of ING Bank Śląski S.A.,*
 - *ING Bank Śląski S.A. Group Remuneration Policy,*
 - *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,*
 - *Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.,*
- analysis of the pay policy/practice assumptions in 2020,
- assessment of the 2019 performance of the Members of the Bank Management Board and setting KPIs for 2020,
- development and submission to the Supervisory Board of recommendations on the Report regarding the implementation of the pay policy in relation to the internal audit employees and the



Internal Audit Director,

- development and submission to the Supervisory Board of recommendations on the Report regarding the implementation of the pay policy in relation to the employees and Lead II of the Centre of Expertise – Compliance,
- analysis of proposals of remuneration packages of people holding control functions at the Bank, submitted by the Management Board, and
- analysis of the results of the remuneration review based on the Hay Group report.

Other areas of the Remuneration and Nomination Committee works in 2020 included but were not limited to:

- analysis of the results of the organisation health survey (the OHI survey), made among the ING Bank Śląski S.A. staff as well as post-OHI survey priorities and measures,
- update on the on-boarding and training process for new Management Board Members as required under the *Induction and Training Policy for ING Bank Śląski S.A. Management Board and Supervisory Board Members*,
- report from the audit of the remuneration process for identified staff in ING Bank Śląski S.A., and
- update on the status of the bonus scheme change for Identified Staff of ING Bank Śląski S.A.

Due to the expiry of the term of office of the Bank Management Board, the Committee assessed the suitability of individual Management Board Members, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the Supervisory Board appoint the Management Board for a new term of office on 2 April 2020.

Further, due to the changes on the Management Board during the year, the Committee also assessed the suitability of candidates for the Management Board, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the Supervisory Board should appoint a new Management Board Member – the Vice-President of the Bank Management Board responsible for the Wholesale Banking Division and a new Management Board Member – the Vice-President of the Bank Management Board responsible for the Business Clients Division. The Committee also made collective assessments of the Management Board, considering the new Management Board Members, on an as needed basis.

In compliance with the applicable regulations and due to the changes on the Supervisory Board, the Committee also assessed the suitability of current Supervisory Board Members and candidates for the Supervisory Board, based on the suitability assessment made by a third party. As a result, the Committee resolved to recommend that the General Meeting appoint two new Supervisory Board Members: Ms Susan Poot and Mr Remco Nieland, effective as of 1 May 2020.

Risk Committee

The Risk Committee is to support the Supervisory Board in the oversight of the business risk management strategy implementation by the senior management staff.



I. Composition of the Risk Committee at ING Bank Śląski S.A. and changes on the Committee during the financial year

From 1 January 2020 to 30 April 2020, the Risk Committee worked in the following composition:

Aleksander Galos	-	Chairman (independent member)
Ad Kas	-	Member
Aleksander Kutela	-	Member (independent member)
Antoni F. Reczek	-	Member (independent member)
Michał Szczurek	-	Member

2020 saw the following changes on the Risk Committee:

On 27 February 2020, Mr Ad Kas tendered his resignation from the capacity as the ING Bank Śląski S.A. Supervisory Board Member, and thus from the capacity of the Risk Committee Member, effective as of the date of the General Meeting approving the 2019 financial statements, due to the appointment to the acting Vice-President of the Management Board responsible for the Risk Division for ING France.

On 2 April 2020, the Supervisory Board appointed Ms Susan Poot who has ties with ING Group as Member of the Committee as of 1 May 2020.

Hence, since 1 May 2020, the composition of the Risk Committee was as follows:

Aleksander Galos	-	Chairman (independent member)
Aleksander Kutela	-	Member (independent member)
Susan Poot	-	Member
Antoni F. Reczek	-	Member (independent member)
Michał Szczurek	-	Member

II. Number and frequency of the Risk Committee meetings. Number of recommendations passed by the Committee

The Risk Committee supported the Supervisory Board in their tasks primarily during meetings by passing the relevant recommendations. During the meetings, the Members of the Committee are joined by Members of the Management Board, as well as the Bank Executive Director - Risk Policy, Modelling and Reporting, Market Risk Management Department Director, Operational Risk Management Department Director, as well as the persons managing the Internal Audit Department and the Centre of Expertise – Compliance, and also representatives of the auditing firm.

Between 1 January and 31 December 2020, the Risk Committee met four times. The meetings of the Committee were held at the following dates: 6 March, 5 June, 25 September and 20 November.

The Committee issued 23 recommendations in total (including 14 by way of circulation). All the



meetings were quorate and held in line with the procedures so that binding recommendations could be issued; the attendance rate during the meetings was very high.

Attendance of the Risk Committee Members in 2020 has been shown in the table below.

	Attendance in 2020*
Aleksander Galos	4/4
Aleksander Kutela	3/4
Antoni F. Reczek	4/4
Susan Poot	3/3**
Michał Szczurek	4/4

* Meeting attendance / Number of meetings during the term of office.

** A new Risk Committee Member attended all three Committee meetings which were held from the date of her appointment; i.e. 1 May 2020.

III. Agenda of the Risk Committee Meetings

As part of the risk monitoring process at the Bank, the Risk Report was a regular item on the Risk Committee agenda in 2020. The Report is structured into the reports from the credit risk, market risk, operational (non-financial) risk and model risk areas. Information about the coronavirus pandemic risk and credit holiday instruments formed a material element of the discussed report.

In 2020, the Committee focused *inter alia* on the following areas:

- development and submission to the Supervisory Board of recommendations on the following documents:
 - Risk Management Strategy for the years 2020-2022,
 - *Capital Management Policy at ING Bank Śląski S.A.*,
 - *Policy of Disclosing Qualitative and Quantitative Information on Capital Adequacy and Variable Components of Remuneration of ING Bank Śląski S.A.*,
 - *ING Bank Śląski S.A. Operational Risk Management Policy*,
- development and submission to the Supervisory Board of recommendations on High Level Risk Appetite Statement Limits for the retail and corporate credit risk areas and the Non-Financial Risk Appetite Statement,
- development and submission to the Supervisory Board of recommendations regarding the types of agreements made by the Bank that, in the Committee's view, should be classified as having a material impact on the financial- and legal standing of the Bank,
- analysis of the 2019 ING Bank Śląski S.A. ICAAP Report,



- analysis of the ING Bank Śląski S.A. ILAAP Review Report for 2019.

The Supervisory Board is content with the performance of the committees. The in-depth analyses made by the committees for the matters discussed as well as the recommendations and opinions submitted to the Board are of enormous added value. The Chairman of the Board would like to thank the Committees for their engagement, availability of their members during the year as well as their readiness to review urgent matters by way of circulation between standard sessions.

