

Enclosure with the Resolution of the Supervisory Board
of 17 March 2023

**Report on the evaluation of the remuneration policy
at ING Bank Śląski S.A. for 2022**

The remuneration policy at ING Bank Śląski S.A. is evaluated on the basis of Article 28.3 of the *Principles of Corporate Governance for Supervised Institutions*.

At ING Bank Śląski S.A., the main principles of the remuneration policy form the *Employee Remuneration Policy of ING Bank Śląski S.A. Group* that has been in force since 2017. The document lays down the key assumptions for shaping the remuneration policy so as to attract and retain employees by ensuring the remuneration that is competitive versus the market. It also defines individual remuneration components.

The principles arising from the Policy are further specified in other regulations in place at ING Bank Śląski S.A., which relate to remuneration policy, namely:

1. Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.
2. ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy
3. Executive Remuneration Bylaw for Members of the Management Board of ING Bank Śląski S.A.
4. General Conditions of Remunerating the Employees of ING Bank Śląski S.A. with enclosures:
 - 1) General Conditions of ING Bank Śląski S.A. Employee Evaluation (Step Up),
 - 2) General Conditions of ING Bank Śląski S.A. Identified Staff Evaluation.

I. RULES OF SHAPING THE REMUNERATION POLICY AT ING BANK ŚLĄSKI S.A.

1. The remuneration policy is based on performance management, and it:
 - 1) supports delivery of the business strategy and long-term interests of the Bank and its clients,
 - 2) supports proper and effective risk management in order to maintain and protect the sound capital base of the Bank; the Policy does not promote excessive risk taking beyond the risk appetite approved by the Supervisory Board of ING Bank Śląski S.A.,
 - 3) it is gender neutral, which means that it does not create conditions for any gender to be favoured in an unjustified manner with regard to employment, career development, promotions, as well as awarding and paying remuneration.
2. The remuneration policy is consistent with the sustainability strategy adopted for a given period by the Bank and it also supports the corporate social responsibility, which is reflected in the individual objectives set for staff for a given year. At the same time, the Policy does not support the activities which are not compatible with the sustainable growth.
3. The remuneration policy is designed to ensure that remuneration-related conflicts of interest are identified and adequately limited. The elements of the variable remuneration award process include appropriate risk mitigating measures, i.e. a multi-level approval process, as well as clear and transparent principles of objective setting and performance evaluation, which are communicated to all employees.



4. ING Bank Śląski S.A. does not provide for any form of remuneration that could be an incentive for employees to favour their own interests or interests of the Bank, while at the same time acting to the detriment of clients.
5. The principles of remunerating persons acting on behalf of the Bank do not constitute an incentive to take excessive risk of mis-selling.
6. The remuneration depends on the scope of tasks and the level of responsibility, as provided for in the job description, which is valued in accordance with the Hay Group methodology.
7. The Bank reviews the level of remuneration every year. Market data – payroll reports and business and economic information – are analysed. The decision on the amount of the employee's salary rise is taken, first and foremost, based on the place of his or her base remuneration in the salary brackets within a given pay grade and the annual performance outcome.
8. The remuneration system is overt and transparent, and its principles are communicated to all Bank employees.
9. For the remuneration of the Supervisory Board and Management Board Members, the policy agrees with the values and long-term interest of ING Bank Śląski S.A., and thus contributes to effective risk management at the Bank and stable standing of the company. Furthermore, the policy supports sustainable growth of the bank, which is understood as actions taken in areas that are meaningful for the society and for the economy, as well as responsibility for and care of the results of those actions, and which is part and parcel of the business strategy. The said objectives are accomplished notably by:
 - 1) introduction of variable remuneration components for Management Board Members, whose final amount depends on results of the Bank,
 - 2) tying the remuneration of the Members of the Management Board and the Supervisory Board to average remuneration of other Bank employees,
 - 3) making the pay-out of variable remuneration components to Management Board Members conditional on the satisfaction of specific capital requirements by the Bank,
 - 4) inclusion in the non-financial objectives set annually by the Supervisory Board for Management Board Members of the criteria arising from the adopted Sustainability Strategy.

Details of remuneration of ING Bank Śląski S.A. Supervisory Board and Management Board Members can be found in the Report compiled as per Article 90g of the Act on Public Offering and Terms and Conditions of Introduction of Financial Instruments into the Organised Trading and on Public Companies.

II. REMUNERATION COMPONENTS

1. The total remuneration is divided into fixed and variable remuneration.
2. Fixed remuneration is such a large part of the total remuneration that it allows one to pursue a fully flexible policy of variable remuneration components, including the option of reducing or not granting any variable remuneration at all.
3. Variable remuneration encompasses any and all forms of remuneration and other benefits provided in return for achieved results.

Variable remuneration encompasses the annual bonus which is set per employee, based on the evaluation of balanced and risk-matching results, considering the quantitative and qualitative criteria. As part of variable remuneration, employees may also receive an additional individual



pecuniary award aimed at recognising and rewarding employees showing above-average performance and special potential.

4. Separate rules of variable remuneration, laid down in the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*, apply to the group of employees holding positions having material impact on the risk profile of the Bank. The Policy defines the components of variable remuneration that may be awarded to Identified Staff and the principles of that remuneration pay-out.

The most important ones include:

- 1) financial and non-financial criteria as well as risk-adjusted criteria are used to assess individual performance; non-financial criteria should account for at least 50% of all goals, save for the persons responsible for control functions,
 - 2) financial criteria are not used for the persons responsible for control functions. The objectives for these persons derive from their functions and are not linked to performance in the areas they control,
 - 3) a deferral of a part of variable remuneration, which is settled in five instalments during the period of work performance verification, to assess the impact of employee actions on the long-term results of the Bank,
 - 4) the award of part of the variable remuneration (at least 50%) in financial instruments, with the treasury stock (previously a phantom stock) becoming the primary instrument as of 1 July 2022,
 - 5) with a view to ensuring long-term stability of ING Bank Śląski S.A. and tying further the risk management minimum standards to individual remuneration, since 2019 the Bank has had the *Procedure regarding risk requirements for Identified Staff in the Risk Taker's role*. The Procedure enables the Management Board Member responsible for the risk area to take a decision to apply a risk modifier for variable remuneration. Following the requirements, all Identified Staff in the Risk Taker's role at the Bank receive written information providing for the specific risk requirements for a given calendar year. After the end of the year, satisfaction of risk requirements is assessed and the assessment result may reduce the variable remuneration of the employee, should the risk requirements not be satisfied.
5. Fringe benefits under the Bank's remuneration policy include a package of benefits and wellbeing activities centred around four pillars: Health, Activity, Energy and Finance.

III. SUPERVISION OVER REMUNERATION POLICY

1. Compliance with the remuneration policy at the Bank is supervised by the following bodies:
 - 1) General Meeting
 - a) evaluate annually whether or not the established remuneration policy is conducive to the development and safety of the Bank's business,
 - b) pass amendments to the ING Bank Śląski S.A. Supervisory Board and Management Board Members Remuneration Policy,
 - c) provide opinion on the remuneration of the Members of the Management Board and the Supervisory Board.
 - 2) ING Bank Śląski S.A. Supervisory Board
 - a) approve the ING Bank Śląski S.A. Group Remuneration Policy and the Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.,



- b) supervise compliance with the aforesaid Policies,
 - c) develop and submit to the General Meeting the report on the evaluation of the remuneration policy at the Bank and the report on the remuneration of Supervisory Board and Management Board Members.
- 3) ING Bank Śląski S.A. Supervisory Board Remuneration and Nomination Committee – monitor the implementation of the Policy.
 - 4) Control functions actively participate and cooperate in the review of the Bank's remuneration policy to ensure its coherence with the risk management strategy and framework. Control functions also assess correctness of the capital base and fulfilment of conditions necessary for the bonus pool disbursement.
2. The Polish Financial Supervision Authority supervise the compliance of the Bank's activity with the regulations concerning the variable remuneration components policy.

IV. REPORT ON THE EVALUATION OF THE REMUNERATION POLICY AT THE BANK IN 2022

1. The remuneration policy at the Bank complies with the Bank's strategy, values and risk appetite, as well as it supports the long-term interests of the Bank and its clients. Furthermore, it promotes and supports the process of effective risk management in order to maintain and protect the sound capital base of the Bank. It does not promote excessive risk-taking behaviour that is beyond the risk propensity accepted by the Supervisory Board of the Bank and it is based on performance management, combining individual goals with the long-term business strategy and ensuring sustainable growth.
2. Wage increases

In 2022, ING Bank Śląski S.A. continued its existing remuneration policy, which is designed to effectively support strategic objectives and systematically align salaries with market levels, taking into account the challenges posed by the current market and economic situation caused by the war in Ukraine, the economic crisis and rising inflation.

The annual review of the remuneration of ING Bank Śląski S.A. employees was carried out as standard. The Remuneration and Nomination Committee received information on the level of market remuneration compared to the salaries of ING Bank Śląski S.A. employees, which was prepared on the basis of the Hay Group reports. Keeping in mind the remuneration review, the Bank Management Board decided to launch an increase action starting from April 2022.

The increases were both automatic and discretionary. The total increase budget was 9 per cent of the basic salary fund. The main objectives of the increase action included: an increase in the minimum salary to PLN 4,500 gross (for full-time employees) and the introduction of one basic salary table instead of the previous two.

By doing this, we have moved away from the previous policy, which was based on wages by region compared to the market levels. This change was due to the fact that the pandemic period has significantly changed the work model. Now the Bank operates based on a hybrid model and work can be provided from different locations, regardless of where the stationary office is. The new basic salary table increased the minimum and maximum salary amounts in almost every pay grade, and the table covered staff employed all over Poland.

During the year, we carried out a process of adjusting salaries to market levels for employees in the IT area and highly qualified key employees. We implemented the remuneration changes for these groups of employees at the end of 3Q2022 and beginning of 4Q2022.



3. Annual bonus for the employees

2022 was another year of functioning of the annual Step Up goals settlement system, which combines job performance assessment, creation of a solid corporate culture and our ambitions. The job performance assessment is directly translated into the bonus pay-out for employees. In keeping with the General Conditions of ING Bank Śląski S.A. Employee Evaluation (Step Up), the Bank Management Board, in consultation with the Supervisory Board, determined the amount of the employee variable remuneration pool. On the basis of the established amount, the Management Board, acting in agreement with the Supervisory Board, decided to apply a bonus potential adjustment factor, which in effect resulted in a 10% increase in the bonus amount. The application of the adjustment factor was mainly due to the bank's very good financial performance. In February 2022, we paid out bonus to Bank employees from the specific provision.

4. Annual bonus for Identified Staff

In March 2022, the bonus for Identified Staff was settled in accordance with the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.*:

- 1) variable remuneration for 2021 was set and the non-deferred portion of the bonus was awarded,
- 2) following a positive verification of the assessment with consideration of ex-post risk and capital test, the Bank awarded the relevant portions of deferred variable remuneration for 2017, 2018 and 2019.

The terms and conditions of variable remuneration disbursement were satisfied. The Remuneration and Nomination Committee gave positive advice and, in consequence, the nondeferred 2021 bonus and the deferred bonuses for 2017, 2018 and 2019 were paid out to the persons, whose positions have impact on the Bank's risk profile. Similarly to other employees, a bonus potential adjustment ratio was also applied to the variable remuneration for Identified Staff.

5. Modification of the incentive scheme for Identified Staff

Pursuant to Resolution No. 29 of the Bank's Annual General Meeting of 7 April 2022, an incentive programme was established at the Bank which was addressed to Risk Takers employed by the Bank and by companies in the Bank's Capital Group that are subject to mandatory consolidation, excluding ING Bank Hipoteczny S.A.

The new programme replaced the previous solution, which provided for the payment of part of the variable remuneration in a financial instrument being a phantom stock. The programme was effective as of 1 July 2022, and the individuals covered by this arrangement received relevant addenda to their contracts of employment. For the period from 1 January 2022 to 30 June 2022, the variable part of the remuneration will be paid in phantom stock under the terms of the existing scheme and in treasury stock under the terms of the new scheme, in proportion to the duration of the existing and new scheme for the period from 1 July 2022 to 31 December 2022. The first full assessment period for which the variable part of the remuneration will be paid on a treasury stock basis will be the period from 1 January 2023 to 31 December 2023.

The operation of the Programme will be conditional on the acquisition of an adequate number of treasury stock from the market. Should for any reason the purchase of shares from the market be in fact impracticable or not possible without undue difficulty or within the assumed time schedule, for the purpose of further fulfilment of the Bank's obligations under the Programme, the Bank Management Board, with the consent of the Supervisory Board, may decide to replace the Bank's treasury stock with another financial instrument, the value of which depends on the



value of the Bank's shares, or to carry out the Bank's obligations under the Programme in another manner that fulfils its objectives.

The rights to phantom stock granted prior to the start date of the new programme will be exercised under the existing rules. In particular, the deferred parts of the remuneration granted in phantom stock will not be convertible into treasury stock.

6. Hybrid working model

As of March 2022, we have permanently introduced a hybrid working model at the Bank, which involves alternating the performance of work tasks from the office and from home. In December 2022, as in the previous year, we paid our employees a financial benefit related to this working model in the form of an adaptation allowance of PLN 1,500 gross. The amount of the allowance was paid to all eligible employees in the same amount, regardless whether they work full or part time. Compared to last year, we decided to increase the amount of the allowance by PLN 300 gross. The allowance partially compensates employees for expenses incurred in connection with remote working. Once again, we supported each employee in organising their home office, as the allowance was also paid to employees who do not work remotely on a daily basis due to the nature of their duties. The allowance was paid to all employees employed under an employment contract as at 31 December 2022. The following persons were excluded from the pay-out: persons on maternity leaves, parental leaves, childcare leaves and unpaid leaves (including sabbatical), as well as persons with whom we terminated cooperation. Persons returning to work after a long-term absence and persons employed in 2023 will receive the compensation calculated proportionally, as of the month of their return to work or employment. Verification of the entitled persons and pay-out of the compensation will take place after the end of the given quarter.

7. Fringe Benefits

We build our fringe benefits offer around four pillars (Health, Energy, Activity and Finance), which define a holistic approach to the package offered to employees to complement fixed and variable remuneration.

In 2022, we focused on communicating and educating employees about our benefit and wellbeing offer, given that the Bank offers a very wide range of products which are not used by the employees. To this end, we organised a series of meetings with employees in the form of workshops, during which we talked about our offer and obtained feedback on expectations. A total of around 1,400 employees from different areas of the Bank took part in 37 meetings. The effectiveness of the meetings was a decisive factor in taking a decision to continue the series in the following year as well. Furthermore, in order to improve the transparency and accessibility of knowledge about the offer, we redesigned our intranet site to enable employees to access the information they need intuitively. The website is based on information grouped according to defined pillars.

1) Health

The Health pillar objectives are:

- ensuring that every employee has access to a high standard of medical services (with a dental package and reimbursement programme offer),
- making health prevention programmes available to employees, including the offer of a comprehensive preventive health review, flu vaccinations and an oncology prevention programme with the unique opportunity to take part in the We Test Genes campaign.

In 2022, under the Health pillar:



- we introduced an equal preventive health review standard for all employees and encouraged employees to avail themselves of the offer. Our target for 2022 was to achieve 1,200 employees taking part in the preventive health review. We exceeded the target by 47%, as almost 1,800 people took advantage of the review,
- we launched a subsidised HPV vaccination campaign for children aged 9-18 years. 180 children have already been vaccinated as part of this campaign and the campaign will stay with us for longer,
- as part of its Oncology Prevention Programme, the Bank cooperates with renowned diagnostic and therapeutic centres in Poland. This year, for the third time, we offered employees a subsidised genetic test to assess their risk of cancer in the "We Test Genes at ING" programme. In total, more than 1,600 people benefited from the tests,
- The Bank fully covered the cost of the increase in the price of medical packages for employees requested by the provider. Initially 59% was requested, but in the negotiation process the increase was finally reduced to 47.5% and split into 2 stages: from December 2022 (33%) and from April 2023 (14.5%).

2) Energy

Our objective within the Energy pillar is to provide psychological support to employees. Our flagship products include additional paid days off (for special occasions, rest, volunteering or caring for loved ones), a dedicated offer for employees' children, psychological care and support in difficult life situations.

The benefits package includes a number of additional days off well beyond the statutory framework in the form of additional days off to celebrate the birth of a child or a wedding (in excess of the legal limit). A unique product in the range of days off is the Family Day Off, which employees can use in full or hourly depending on their needs.

We also support parents by offering:

- additional paid maternity leave of 10 days,
- additional paid paternity leave of 5 days,
- 2 days of childcare for children up to the age of 18.

We dedicate a separate package of additional days off to disability-related life situations, namely:

- 5 days of leave a year for parents of a child with a certificate of disability,
- 2 days off for employees caring for family members with disabilities,
- 3 days off for employees with a recognised mild disability.

Employees are also entitled to:

- days off as a reward - up to 5 days per calendar year,
- a day off for shift working employees (i.e. working at night, on Sundays and public holidays),
- sabbatical understood as an extended break from work for recuperation or further training,
- an additional day off in respect of an anniversary.

In 2022, we focused on mental health due to the circumstances that, in our view, determined the activities related to the need for psychological support for employees (the post-pandemic period and the war in Ukraine). As part of these activities, we undertook the following activities:



- psychological support - we organised a series of webinars and meetings with psychology experts who explained how our mind works during a crisis and how anxiety and anger arise and affect us. We also organised individual consultations for managers and teams based on reported difficulties and demand,
- Mental Health Platform - we have provided our employees with a dedicated platform to support their mental health. It allows the use of psychological and educational materials such as webinars and podcasts but also provides unlimited chats with psychologists, therapists and coaches. Every employee can also use the online therapy provided through the platform completely free of charge,
- we continued the Orange Helpline - a dedicated anonymous helpline where ING employees and their loved ones could talk to certified psychologists about their wellbeing, concerns or problems.

In addition, in 2022 we organised special events dedicated to employees' children:

- Children's Day at our offices in Katowice and Warsaw, during which children of employees from all over Poland had the opportunity to take part in numerous workshops, attractions and competitions. We were also not short of gifts for every visitor.
- On Saint Nicholas' Day all parents had their cafeteria account topped-up with PLN 50 per child in December.

3) Activity

Within the Activity pillar, our aim is to encourage employees to be physically active. Our flagship products include:

- the Run Warsaw event for employees and their families, which has been realised since 2017, with almost 4,000 participants in 2022,
- The implemented in 2021 ING Active platform, which enables participation in sports challenges. Thanks to active promotion and organisation of regular sports challenges, we ended 2022 with 1,200 active users. This represents an increase of 48%,
- Mocodajnia [Power Kitchen] - located in our head office in Katowice. It is a creative meeting room where organised activities are tailored to the needs of our employees, such as the prevention of spinal disorders, reduction of stress levels and muscle tension.

The new products implemented in 2022 were:

- Sports budget - the purpose of its implementation is to support employees' sporting passions, promote a healthy lifestyle and physical activity, and to promote and consolidate ING's image as an employer that cares about promoting sporting activities among employees. Employees can apply for reimbursement of costs incurred in connection with participation fees, participation in sports leagues and renting facilities for training purposes,
- Football Tournament, which saw 26 teams comprising 240 footballers of both genders and 253 goals scored. The whole event was of a charity nature.

4) Finances

Our objective within the Finance pillar is financial security for employees and financial education. The flagship products in this pillar are:

- Employee Pension Scheme, whereby the bank allows employees to accumulate additional funds for retirement and the bank funds the basic contribution,



- Group life insurance with two insurance companies. The actual benefit is the possibility for employees to avail themselves from an employer-sponsored insurance option,
- A cafeteria programme that has been in place at the bank since 2017. Employees have access to sports cards and a flexible benefits offer. The cafeteria is open to all employees and the number of points awarded is based on the employee's salary level.

In 2022, we carried out a number of educational activities and offered to support employees with financial allowance payments. As part of these activities:

- we have launched the Investing Academy, a training series on investing for people who have a basic knowledge of finance and want to expand it,
- we once again paid our employees an adaptation allowance related to the implementation of the hybrid model,
- we paid our employees a shield allowance of PLN 2,000 gross. The allowance is intended to partially compensate for the charges incurred during the winter heating period, especially during the period when we decided to temporarily close the offices in Warsaw and Katowice. The allowance was paid in the same amount to all employees.

8. Equal pay for women and men

In 2022, the gender pay ratio at ING Bank Śląski S.A. was 96%.

As for 2021, the ratio was calculated for the total salaries (hourly rate) of employees in employment as at 31 December 2022, in accordance with the method of reporting to the Stock Exchange. The method applied was an average of remuneration, weighted with the number of men and women in individual employee pay grades. Other assumptions applied in the calculation include: converting remuneration of part-time employees to remuneration of full-time employees, adjustment of remuneration of employees, who were not employed for the entire 2022 to the total remuneration for the whole year.

The change in the pay gap from 99% in 2021 to 96% last year was mainly influenced by changes in the workforce structure, particularly transfers of employees between grades (promotions) and an increase in the number of new hires in 2022 who were not entitled to payment of the 2021 bonus in 2022.

9. Review and update of regulations

As part of the review of remuneration regulations, amendments were proposed to the *Variable Remuneration Policy for Identified Staff of ING Bank Śląski S.A.* resulting from the implementation of two recommendations of the Polish Financial Supervision Authority according to the post-inspection report of 22 February 2022 (DIB-DIBZPK.7110.42.2021.13). The changes referred to:

- 1) clarifying the financial targets for Identified Staff in terms of risk cost, cost of capital and liquidity risk,
- 2) changes to the thresholds relating to the annual bonus deferral rule for Identified Staff.

10. Remuneration and Nomination Committee meetings

In 2022, the Remuneration and Nomination Committee of ING Bank Śląski S.A. held 7 regular meetings and 2 by way of circulation.

11. Inspections and audits

From 22 July to 27 July 2022, the Internal Audit Department conducted the Audit of the process of remuneration of persons, who have material impact on the risk profile of ING Bank Śląski S.A.



The audit sought to assess the design and operating effectiveness of key internal controls in the process of remuneration of persons, who have material impact on the risk profile at the Bank.

The audit confirmed that the process of determining and paying the remuneration of the Bank's employees (Risk Takers included) is governed by internal remuneration policies, which are continuously updated, supervised and monitored by the Supervisory Board supported by the Remuneration and Nomination Committee. The audit did not identify any material risks in the audited areas and thus confirmed the adequacy and effectiveness of the control mechanisms for the Identified Staff remuneration process.

In 2022, we finalised the actions resulting from the thematic inspection conducted at the Bank by the Polish Financial Supervision Authority between 11 October 2021 and 18 November 2021. The inspection was part of the Commission's banking supervision.

The inspection referred to the internal control system, including the applicable principles of remuneration for the Supervisory Board and Management Board Members, as well as persons, whose professional activities are considered to have a material impact on the Bank's risk profile. With regard to the remuneration policy, the Polish Financial Supervision Authority recommended:

- 1) the inclusion of the risk cost and liquidity risk over the long term in the Bank's results adopted for the determination of variable remuneration components, as required by the provisions of § 27 of the *Regulation of the Minister of Finance, Funds and Regional Policy on the risk management system and the internal control system*,
- 2) the analysis and update - taking into account the results of this analysis, including the actual level of remuneration of the individuals covered by the variable remuneration policy - the so-called particularly large amount of variable remuneration conditioning the deferral of no less than 60% of the variable remuneration, taking into account the requirements of the provision of § 25 (3) (8) of the *Regulation of the Minister of Finance, Funds and Regional Policy on the risk management system and the internal control system*.

The Commission's recommendations have been implemented in the form of updated provisions in internal regulations.

The Supervisory Board are of the view that in 2022 the Bank respected the principles of its remuneration policy.

