

Report on the assessment of the implementation of the Remuneration Policy in 2023, with a draft assessment by the General Meeting of whether the Policy supports the Bank's development and security of its operations

In accordance with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority by way of Resolution No. 218/2014 of 22 July 2014, the Supervisory Board of Bank Ochrony Środowiska S.A. assessed the implementation of the BOŚ S.A. Remuneration Policy in 2023.

The following facts were considered by the Supervisory Board when making the assessment:

1. The Bank has a Remuneration Policy in place, which defines the form, structure and method of determining the remuneration of members of its governing bodies and key managers.
2. The objectives underlying the rules applicable at the Bank under the adopted Remuneration Policy are as follows:
 - to ensure adequate remuneration of employees for their work, while motivating them to strive towards robust performance and achievement of the Bank's strategic objectives,
 - to attract and retain qualified staff whose experience, knowledge and skills create the Bank's competitive advantage,
 - to ensure that the remuneration system does not encourage excessive risks-taking behaviours beyond the risk appetite approved by the Bank's Supervisory Board or inappropriate sale practices, and specifically that the remuneration system has regard to customer rights and interests by limiting possible conflicts of interest,
 - to ensure equal pay for the same work or work of the same value, and neutrality in terms of gender, age, disability, health condition, race, nationality, ethnic origin, religion, denomination, irreligion, political beliefs, trade union membership, sexual orientation, sexual identity, family status, lifestyle and other circumstances that may be a source of discriminatory behaviour, by introducing uniform, non-discriminatory provisions.
3. The remuneration of members of the Supervisory Board and members of the Management Board of the Bank is set at levels appropriate for their functions and scale of the Bank's operations.
4. The level of variable remuneration paid to members of the Management Board of the Bank and the Bank's key managers under incentive schemes is conditional on the Bank's long-term financial condition and long-term growth of its shareholder value.

5. In order to align the remuneration of members of the Management Board and key managers with the Bank's long-term business and financial objectives, the Bank implements the provisions of the Regulation of the Minister of Finance, Development Funds and Regional Policy of 8 June 2021 on risk management and internal control systems and remuneration policy at banks, through a number of practices, including:
 - a. payment of a portion of variable remuneration in BOŚ S.A. shares (real shares or phantom shares),
 - b. deferred payment of a portion of variable remuneration in five equal annual tranches, depending on the Bank's financial performance over the last three years.

Variable remuneration, including the deferred portion, is:

- reduced or withheld e.g. in the circumstances referred to in Art. 142.1 of the Banking Law of 29 August 1997,
 - reduced or cancelled by the Bank in particular if:
 - the Bank's performance falls significantly short of the approved financial plan for the year,
 - significant failure or error on the part of the person holding managerial position has been demonstrated,
 - inappropriate conduct or material errors on the part of the person holding managerial position have been demonstrated,
 - the person holding managerial position has been involved in or responsible for actions which resulted in significant losses to the Bank,
 - the person holding managerial position has failed to meet appropriate standards ensuring prudent and sound management of the Bank,
 - a breach or omission of duties by the person holding managerial position and/or their subordinate function/organisational unit has been demonstrated, consisting in non-compliance with the internal regulations/instructions on the risk / performance / internal control system management (including regulations /instructions on the prevention of money laundering and terrorist financing, and/or on cyber security),
 - reduced, if the Bank benefits from extraordinary government intervention.
6. The Bank has a Remuneration and Nomination Committee in place, appointed from among members of the Supervisory Board.
 7. The remuneration of members of the Supervisory Board is not conditional on any options or other derivatives, or on any other variable remuneration components.
 8. In 2023, the remuneration of members of the Supervisory Board and Management Board satisfied the requirements of the Act on the Rules of Remunerating Persons Who Direct Certain Companies of 9 June 2016, and was adequate given the Bank's financial condition. *In this way the requirement set forth in Section 28.2 of the Principles of Corporate Governance for Supervised Institutions that the remuneration policy should*

take account of the financial condition of the institution concerned was duly met. Consequently:

- a) The aggregate remuneration of the Supervisory Board of Bank Ochrony Środowiska S.A. represents approximately 83% of the median remuneration in banks for which the Bank has comparative data;
- b) The sum of aggregate remuneration of the persons serving as Chair of the Supervisory Board of Bank Ochrony Środowiska S.A. represents 82% of the median remuneration of chairs of the supervisory boards of banks for which the Bank has comparative data;
- c) The aggregate remuneration of members of the Supervisory Board of Bank Ochrony Środowiska S.A. falls in the lower range compared to the supervisory boards of banks for which the Bank has comparative data.

(In the absence of more recent data, the BOŚ S.A. analysis covers remuneration paid in 2022 to persons holding positions on the management and supervisory bodies of other banks listed on the Warsaw Stock Exchange. BOŚ S.A. has comparative for BNP Paribas Bank Polska S.A., mBank, ING Bank Śląski, Santander Bank Polska, Bank Millennium, Bank Pekao S.A., Alior Bank, CITI Handlowy, PKO Bank Polski and other banks.)

9. The base salary paid to the Bank's senior management staff in 2023 represents approximately 49% of the median base salary paid to senior management staff in the banking sector for the same year. The proportion is the same for aggregate remuneration. The competitiveness of base salaries at BOŚ S.A. decreased by 13pp compared to 2022.
10. Information on how members of the Bank's Supervisory Board and Management Board as well as other key managers are remunerated is presented by the Bank in the full-year financial statements, the Directors' Report and the Report on the Remuneration of Members of the Supervisory Board and Management Board.
11. The Bank regularly updates members of its Supervisory Board and the Management Board on the current status of the remuneration policy with respect to the key managers and function holders, thus allowing them to assess the remuneration policy in terms of the delivery of its objectives, in particular its contribution to long-term growth in the shareholder value and stability of the Bank's operations.
12. In compliance with Recommendation Z 15 of the Polish Financial Supervision Authority on internal governance at banks, the ratio of the average aggregate annual gross remuneration of members of the Management Board of the Bank to the average aggregate annual gross remuneration of other employees may not exceed 1:16.

Pursuant to Recommendation Z 30.1 of the Polish Financial Supervision Authority and the Remuneration Policy, the Bank fulfils its disclosure obligation by providing information on the ratio of the average aggregate gross remuneration of members of the Management Board in 2023 to the average aggregate gross remuneration of other employees of the Bank in 2023. The ratio stands at 6.32 and is within the regulatory limit.

13. The average aggregate monthly remuneration paid in 2023 to the Bank's employees (excluding members of the Management Board and Supervisory Board) represents 78% of the average gross monthly remuneration paid in the insurance and financial sector in the first nine months of 2023, as announced by Statistics Poland.

The average aggregate monthly remuneration offered to the Bank's employees in the sales network equals 65% of the average gross monthly remuneration in the insurance and financial sector in the first nine months of 2023, as announced by Statistics Poland.

The above data is believed to be adequate given the Bank's weaker performance compared with other sector players and the fact that the Bank is in the process of implementing the Group Recovery Plan. As the Bank's financial performance improves, there is a plan to increase aggregate remuneration to align with average industry levels. This may involve the development of variable remuneration schemes to ensure the Bank can attract and retain qualified staff necessary to achieve its strategic objectives. Special attention will be given to aligning compensation levels with market standards in areas responsible for digitisation, such as IT and cyber security, as well as the risk management area.

In 2023, the Bank continued to follow remuneration policy designed to ensure a consistent and transparent remuneration system, e.g. through the calibration of the job evaluation method introduced as of 2022. The method is intended to support the Bank's objectives of offering competitive salaries, provide clear career paths for individual employees, and lay the foundation for a consistent remuneration system, while guaranteeing compliance with the limits under the Group Recovery Plan.

In 2023, the Bank implemented a salary increase for its employees with effect from 1 December 2023, totalling PLN 488,000. Pay increases were received by 536 employees, and the average pay raise was PLN 910. As part of the process, the Bank sought to reduce and effectively reduced the pay gap, which contracted by 0.7pp.

14. In line with the position of the Polish Financial Supervision Authority regarding a prudent approach to payment of variable components of remuneration, the Bank's Remuneration Policy provides for such prudent approach to the payment of variable components of remuneration in justified cases, such as the occurrence of a crisis situation or events having an adverse impact on the economy, which may affect the financial market, the capital base of the Bank and/or its financial results.
15. The remuneration of employees of the internal audit, compliance, legal, risk management and HR functions is target-based. The variable components of their remuneration cannot be conditional on the economic performance of the Bank's operations under their respective control.
16. In order to ensure adequate alignment of the base salaries with the qualifications, experience, skills as well as independence and impartiality in performing tasks by employees of the Head Office's organisational unit in

charge of audit and compliance, the Bank analyses the level of base salaries of such employees against base salaries of the other employees at the Bank and elsewhere in the banking sector, in accordance with Recommendation H of the Polish Financial Supervision Authority.

17. The following remuneration components were included in the compensation package at BOŚ S.A. in 2023:
- base pay,
 - remuneration for overtime,
 - remuneration for on-call duty,
 - bonus,
 - discretionary award,
 - competition award,
 - project award,
 - remuneration for the duration of paid leaves (annual leave, release from work duty, sick pay, allowances, family member care, rehabilitation benefit, etc.),
 - retirement and disability severance payment,
 - severance payment for reasons not related to employees,
 - compensation for termination of employment contract,
 - compensation for untaken statutory leave,
 - court-awarded compensation,
 - court settlement,
 - social benefits,
 - Christmas/Easter benefits,
 - home office allowance,
 - co-financing of medical packages,
 - fuel allowance,
 - car allowance,
 - employer contributions.
18. In 2023 at BOŚ S.A., there was no differentiation among various pay packages in the fixed remuneration component. However, differentiation was implemented in the variable compensation component:
- A dedicated system of variable remuneration was established for key managers in positions with a significant influence on the Bank's risk profile (risk takers). The purpose of this system was to link the remuneration levels with the Bank's long-term business and financial objectives.
 - An annual bonus system was implemented for all employees other than risk takers, intended to link the variable remuneration amount to the employees' performance against targets. Under this system, in 2023 the bonus amount was determined using three mechanisms: MBO 33%, MBO 25%, and MBO 16%, with the percentage representing the proportion of the annual salary that would be awarded if the set targets were achieved at 100%. MBO 33% was dedicated to corporate sales positions, MBO 25% to other sales positions, and MBO 16% to positions in support and operations. Additionally, the compensation amount under the new system depended on the assessment of the employee's conduct in the context of the Bank's values.
- Under the system, it is possible to pay interim bonuses during the year, specifically to sales staff. Such interim payments reduce the final amount of the bonus that is received during the annual settlement

- To mitigate the risk of variable remuneration payment under the aforementioned systems in the event of a challenging financial situation for the Bank, a vesting condition was introduced, i.e. achievement by the Bank of at least 90% of the net profit target for the year. Moreover, the allocation of a bonus to an individual employee is contingent upon the attainment of their targets at a minimum level of 90%.
- To align the remuneration for risk takers with the Bank's long-term business and financial objectives, the Bank employs a malus mechanism, as recommended by the Remuneration and Nomination Committee. The Bank does not apply the clawback mechanism, as its implementation would conflict with labour laws in Poland.

19. In 2023, an annual internal audit was carried out at the Bank to assess the adequacy and effectiveness of the internal control system in the Remuneration Policy, incentive scheme, annual performance assessment, and suitability assessment processes. The adequacy and effectiveness of risk management and internal control in the remuneration management, annual performance assessment and suitability assessment processes was assessed as unsatisfactory. The audit report was presented to the Remuneration and Nomination Committee, the Internal Audit Committee and the Supervisory Board. In 2024, Bank Ochrony Środowiska is implementing the recommended remedial measures. As at 31 March 2024, all recommendations with a deadline set for that very date have been fully implemented. The HR Department continues its activities to timely implement the other recommendations specified as a result of the Remuneration Policy audit.
20. In 2023, BOŚ S.A. commenced regular analysis of the gender pay gap, i.e. the gap between the base salaries of women and men. The results of the measurements at the end of each quarter are presented in the table below:

| GPG | Bank | Specialist positions | Middle management | Senior management |
|-------------|--------|----------------------|-------------------|-------------------|
| 31 Mar 2023 | -20.7% | -15.0% | -16.4% | -16.7% |
| 30 Jun 2023 | -18.9% | -15.4% | -14.2% | -9.2% |
| 30 Sep 2023 | -19.3% | -17.5% | -12.1% | -7.4% |
| 31 Dec 2023 | -18.0% | -15.9% | -12.5% | -7.2% |

The size of the gap reflects the ratio of average remuneration of women and men within individual employee groups.

Based on the above data (narrowing gap trend), the Bank's efforts to reduce the gender pay gap (incorporating it as a decision-making element in recruitment and pay rise processes) are bringing tangible results, with the gap reduced by 2.7 pp across the Bank.

It is also worth noting that according to Statistics Poland data, the average size of the gender pay gap in the financial sector in 2022 was 27%. A comparison of market data with the Bank's metric at the end of 2023 shows that the latter is significantly lower.

Draft assessment by the General Meeting of whether the Remuneration Policy supports the Bank's development and security of its operations

Pursuant to the provisions of Resolution No. 218/2014 of the Polish Financial Supervision Authority of 22 July 2014 setting forth the Principles of Corporate Governance for Supervised Institutions, and:

- taking into account the need to ensure prudent and sound risk, capital and liquidity management and special care to promote the long-term best interest of Bank Ochrony Środowiska S.A. and the interests of its shareholders,
- based on the results of the Supervisory Board's assessment of the implementation of the Bank's Remuneration Policy in 2023, which confirmed its transparency and compliance with the applicable regulations,

the General Meeting of the Bank acknowledges that, in its opinion, the Bank's Remuneration Policy supports the Bank's development and security of its operations.