

**Self-assessment**  
**by the Supervisory Board of Bank Ochrony Środowiska S.A.**  
**of the adequacy of internal regulations governing the operation of the**  
**Supervisory Board and the effectiveness of its activities**  
**in 2023**  
**(including information for the General Meeting on the adoption of**  
**the Rules of Procedure for the Supervisory Board)**

**1. Self-assessment of the adequacy of internal regulations governing the operation of the Supervisory Board, including information for the General Meeting on the adoption of the Rules of Procedure for the Supervisory Board**

The Supervisory Board operates in accordance with relevant legal regulations, such as the Banking Law, the Commercial Companies Code, and the Accounting Act, and based on resolutions and recommendations issued by the Polish Financial Supervision Authority, as well as other applicable regulations and internal policies, including the Articles of Association of the Bank and the Rules of Procedure for the Supervisory Board.

The Supervisory Board conducted a thorough review of the internal regulations governing its operation, relying on the information and documents provided by the Management Board.

**1.1. Articles of Association of the Bank** *(consolidated text established by Resolution No. 100/2023 of the Supervisory Board dated 21 September 2023, based on Resolution No. 38/2023 of the Annual General Meeting of BOŚ S.A. dated 23 June 2023).*

The Articles of Association play a crucial role in defining the essential aspects of the operation of the Supervisory Board, including the duration and terms of office for Supervisory Board members, the composition and size of the Supervisory Board, procedural aspects related to meetings and decision-making processes, and the scope of authority vested in the Supervisory Board. Upon reviewing the Articles of Association in 2023, it was determined that certain amendments were necessary to align them with the requirements set forth in Recommendation Z of the Financial Supervision Authority on the principles of internal governance in banks ("Recommendation Z"), and the Act Amending the Commercial Companies Code and Certain Other Acts of 9 February 2022, which came into force on 13 October 2022.

The following amendments were made to the Articles of Association concerning the Supervisory Board:

- amendments to Art. 19 to clarify provisions regarding invitations to Supervisory Board meetings, the adoption of resolutions by written ballot or using means of remote communication, and the obligation to inform the General Meeting of the adoption of the Rules of Procedure for the Supervisory Board.
- amendments to Art. 20 to clarify the tasks of the Internal Audit Committee and the powers and responsibilities of the Supervisory Board.

These amendments were approved by the Annual General Meeting on 23 June 2023 and subsequently registered by the competent registry court.

The amendments ensured that the Articles of Association were adequate, up-to-date and consistent with other corporate documents governing the operation of the Supervisory Board as at the end of 2023.

At the same time, the Supervisory Board announces that the process of amending Art. 5.2.9 of the Articles of Association, initiated in 2023, is ongoing. This amendment aims to enable the Bank to operate pursuant to Art. 70.2 in conjunction with Art. 69.2.2 and Art. 69.2.3 of the Act on Trading in Financial Instruments of 29 July 2005. Additionally, a review of the Articles of Association is continuing to adapt them to the Act Amending Certain Acts to Ensure the Development of the Financial Market and Protection of Financial Market Investors of 16 August 2023 (including, but not limited to, the amended Banking Law of 29 August 1997 and the Act on Trading in Financial Instruments of 29 July 2005).

## **1.2. Rules of Procedure for the Supervisory Board (Resolution No. 58/2023 of the Supervisory Board dated 23 June 2023).**

In accordance with the provisions of Art. 19.8 of the Articles of Association, the adoption of the Rules of Procedure for the Supervisory Board falls within the scope of responsibilities of the Supervisory Board.

In accordance with Recommendation Z, the Supervisory Board hereby informs the Annual General Meeting of the adoption of the Rules of Procedure for the Supervisory Board and the assessment of their adequacy.

*Recommendation Z 9 states: 'considering the general meeting's responsibility for supervising the performance of the supervisory board's tasks, if the rules of procedure for the supervisory board are not adopted by the general meeting but by the supervisory board itself, the general meeting should be informed of the adopted rules or the rules may require its prior approval, depending on the relevant arrangements in place at the bank.'*

The current Rules of Procedure for the Supervisory Board were adopted by Resolution No. 58/2023 of the Supervisory Board on 23 June 2023, which at the same time repealed the previously Rules of Procedure adopted by Resolution No. 69/2022 of the Supervisory Board on 23 November 2022.

The amendments to the Rules of Procedure were necessitated by the need to align this document with:

- 1) EBA Guidelines on internal governance *EBA/GL/2021/05 of 2 July 2021* regarding the composition of committees and ensuring their compliance with these regulations,
- 2) EBA Guidelines on compliance management strategies and procedures and the role and responsibilities of the AML/CFT Compliance Officer of 14 June 2022 (and the position of the PFSA on the same subject).

Considering the above, the Rules of Procedure for the Supervisory Board were updated as follows:

- 1) in Art. 4, Art. 4.6 and 4.7 were added, stipulating that when appointing committee members, the Supervisory Board will take into account:
  - the outcome of individual suitability assessments of Supervisory Board members;
  - the principles set out in the EBA Guidelines on internal governance;
  - the criteria specified in the Act on Statutory Auditors, Audit Firms, and Public Oversight of 11 May 2017.A provision was added to the effect that the chairs of the Risk Committee, Internal Audit Committee, and Remuneration and Nomination Committee will be appointed by the Supervisory Board from among Supervisory Board members meeting the independence criteria;
- 2) in Art. 5.2, Art. 5.2.26 was added, specifying the powers and responsibilities of the Supervisory Board in the area of counteracting money laundering and terrorist financing. Specifically, the Supervisory Board is empowered to: approve the overall AML/CFT strategy adopted by the Management Board, and oversee and assess the adequacy and effectiveness of the strategy implementation; ensure that the Management Board member responsible for this area possesses the required knowledge, skills, and experience to identify and evaluate ML/TF risks; conduct annual reviews of the AML Officer's reports and assess the effectiveness of the Head Office's organisational unit responsible for anti-money laundering and terrorist financing.
- 3) Art. 10 was amended by introducing a provision granting the Supervisory Board access to documents and information pertaining to anti-money laundering and terrorist financing;
- 4) amendments were made to the sections governing the Internal Audit Committee, Remuneration and Nomination Committee, and Risk Committee by incorporating provisions mandating consideration of the independence criteria in the appointment of committee members, and requiring candidates for these committees to possess relevant professional knowledge and skills;
- 5) Art. 19, detailing the duties and responsibilities of Supervisory Board members, was amended to include a provision requiring members to promptly notify the Bank of any circumstances necessitating modification of their previously submitted statement of compliance with the independence criteria.

Based on the information provided, the Supervisory Board is satisfied that the Rules of Procedure for the Supervisory Board are adequate, compliant with the applicable laws and recommendations, and consistent with other internal regulations of the Bank.

The Rules of Procedure for the Supervisory Board can be accessed on the Bank's website at: <https://www.bosbank.pl/informacje-korporacyjne/relacje-inwestorskie/dokumenty-korporacyjne>

### 1.3. Rules of procedure for the committees appointed by the Supervisory Board, i.e.:

- **Rules of Procedure for the Internal Audit Committee** (Resolution No. 22/2023 of the Supervisory Board of 20 March 2023),
- **Rules of Procedure for the Risk Committee** (Resolution No. 23/2023 of the Supervisory Board of 20 March 2023),
- **Rules of Procedure for the Remuneration and Nomination Committee** (Resolution No. 24/2023 of the Supervisory Board of 20 March 2023),
- **Rules of Procedure for the Environmental Protection Committee** (Resolution No. 25/2023 of the Supervisory Board of 20 March 2023).

In 2023, the rules of procedure for all Supervisory Board committees were reviewed. Following the review:

- the **Rules of Procedure for the Internal Audit Committee** were amended (Resolution No. 22/2023 of the Supervisory Board dated 20 March 2023). The Rules of Procedure for the Internal Audit Committee provide comprehensive guidelines regarding: a) the authority and function of the Committee, b) the specific powers and responsibilities of the Committee, c) the composition requirements for the Committee, d) the procedures and protocols governing the Committee's operations, e) the duties and obligations of the Committee members. The 2023 amendments implemented Recommendation Z 9.3 into the Rules of Procedure with regard to the authentication of minutes of Supervisory Board committee meetings.

The Supervisory Board is satisfied that the Rules of Procedure for the Internal Audit Committee are adequate, compliant with the applicable laws and recommendations, and consistent with other internal regulations of the Bank;

- the **Rules of Procedure for the Risk Committee** were amended (Resolution No. 23/2023 of the Supervisory Board dated 20 March 2023). The Rules of Procedure for the Risk Committee provide comprehensive guidelines regarding: a) the authority and function of the Committee, b) the specific powers and responsibilities of the Committee, c) the composition requirements for the Committee, and d) the procedures and protocols governing the Committee's operations. The primary purpose of the 2023 amendment was to ensure compliance with the EUNB/GL/2021/04 guidelines, which outline the principles of cooperation with the Remuneration and Nomination Committee, as well as Recommendation Z 9.3, which pertains to the authentication of minutes of Supervisory Board committee meetings.

The Supervisory Board is satisfied that the Rules of Procedure for the Risk Committee are adequate, compliant with the applicable laws and recommendations, and consistent with other internal regulations of the Bank;

- the **Rules of Procedure for the Remuneration and Nomination Committee** were amended (Resolution No. 24/2023 of the Supervisory Board dated 20 March 2023). The Rules of Procedure for the Remuneration and Nomination Committee provide comprehensive guidelines regarding: a) the authority and function of the Committee, b) the specific powers and responsibilities of the Committee, c) the composition requirements for the Committee, d)

the procedures and protocols governing the Committee's operations. The primary purpose of the 2023 amendment was to ensure compliance with the EUNB/GL/2021/04 guidelines, which provide guidance on the powers of the Committee and its cooperation with other committees of the Supervisory Board, including the Risk Committee. Additionally, the amendment aimed to meet the requirements set forth in Recommendation Z, specifically concerning the authentication of minutes of Supervisory Board committee meetings.

The Supervisory Board is satisfied that the Rules of Procedure for the Remuneration and Nomination Committee are adequate, compliant with the applicable laws and recommendations, and consistent with other internal regulations of the Bank;

- the **Rules of Procedure for the Environmental Protection Committee** were amended (Resolution No. 25/2023 of the Supervisory Board of 20 March 2023). The Rules of Procedure for the Environmental Protection Committee provide comprehensive guidelines regarding: a) the specific responsibilities of the Committee, b) the composition requirements for the Committee, c) the procedures and protocols governing the Committee's operations. The 2023 amendments implemented Recommendation Z 9.3 into the Rules of Procedure with regard to the authentication of minutes of Supervisory Board committee meetings.

The Supervisory Board is satisfied that the Rules of Procedure for the Environmental Protection Committee are adequate, compliant with the applicable laws and recommendations, and consistent with other internal regulations of the Bank.

#### **1.4. Rules governing support services for the Management Board and the Supervisory Board of Bank Ochrony Środowiska S.A. (Resolution No. 351/2023 of the Management Board of the Bank dated 22 August 2023)**

The Rules comprehensively cover technical and organisational aspects related to the preparation and conduct of Supervisory Board and Management Board meetings. This includes specific provisions on preparing, arranging, storing and delivering materials and invitations for the meetings, and preparing minutes of the meetings. The Rules establish detailed guidelines on matters addressed in the Rules of Procedure for the Management Board and Rules of Procedure for the Supervisory Board. A review of the Rules conducted in 2023 highlighted the need for amendments, particularly concerning the participation of heads (or deputy heads) of the internal control and compliance functions in all Management Board meetings.

The current wording of the Rules is consistent with the Rules of Procedure for the Management and Supervisory Boards.

#### **1.5. Rules of internal legislation (Order No. E 5/2021 of the President of the Management Board of 25 May 2021, as amended)**

The Rules complement the Rules Governing Support Services for the Management Board and Supervisory Board of Bank Ochrony Środowiska S.A.

The Rules provide comprehensive guidelines and procedures for all legislative activities at Bank Ochrony Środowiska S.A. This includes activities related to the preparation, issuance, storage, and distribution of internal regulations within the Bank, including those issued or approved by the Supervisory Board.

The review conducted in 2023 led to amendments in the regulations to align them with the specific nature of the Bank's remote working arrangements.

**1.6. Resolution on the procedure for reimbursing members of the Supervisory Board for expenses related to their Supervisory Board duties (Resolution No. 71/2017 of the Supervisory Board dated 4 October 2017)**

The resolution was adopted in accordance with Art. 392.3 of the Commercial Companies Code. It provides detailed guidelines on the service standards and types of expenses incurred by Supervisory Board members which are eligible for reimbursement. It also outlines the necessary documentation that a Supervisory Board member should submit to the Bank to claim reimbursement for expenses incurred in relation to their participation in the activities of the Supervisory Board or its committees.

**1.7. Policy on the Assessment of Suitability of Candidates for the Supervisory Board, Members of the Supervisory Board and the Supervisory Board of BOŚ S.A. (Resolution No. 37/2023 of the Annual General Meeting of Bank Ochrony Środowiska S.A. dated 23 June 2023)**

A review of the existing Policy on the Assessment of Suitability of Candidates for the Supervisory Board, Members of the Supervisory Board and the Supervisory Board of BOŚ S.A. (the "Suitability Assessment Policy"), introduced in June 2022, highlighted the necessity to amend the Policy. The main reason for the amendments was to incorporate the provisions of Recommendation Z and the updated Guidelines on the assessment of the suitability of members of the management body and key function holders issued by the European Banking Authority and the European Securities and Markets Authority (EBA/GL/2021/06) into the Policy. The Suitability Assessment Policy approved by the General Meeting on 23 June 2023, was prepared considering the aforementioned guidelines and recommendations. It was formulated in compliance with the provisions outlined in the Methodology for Assessing the Suitability of Members of Governing Bodies of Entities Supervised by the Polish Financial Supervision Authority, issued by the Polish Financial Supervision Authority.

The Policy addresses a number of key aspects, including:

- the consideration of the competence in anti-money laundering and terrorist financing and the ESG risk in suitability assessments of candidates for the Supervisory Board and members of the Supervisory Board;
- certain matters related to suitability assessments of Supervisory Board members as candidates for Supervisory Board committees, taking into account requirements for independence and relevant competence.

In the fourth quarter of 2023, another review of the Policy on the Assessment of Suitability of Candidates for the Supervisory Board, Members of the

Supervisory Board and the Supervisory Board of BOŚ S.A. was initiated in order to align it with the amended provisions of the Methodology for Assessing the Suitability of Members of Governing Bodies of Entities Supervised by the Polish Financial Supervision Authority, which was revised in the third quarter of 2023.

The modified draft of the Policy on the Assessment of Suitability of Candidates for the Supervisory Board, Members of the Supervisory Board and the Supervisory Board of BOŚ S.A. will be considered by this year's Annual General Meeting of the Bank.

**1.8. Diversity Policy for members of the Supervisory Board of BOŚ S.A.** *(Resolution No. 38/2022 of the General Meeting of BOŚ S.A. dated 30 June 2022)*

The Policy was implemented following a positive recommendation from the Remuneration and Nomination Committee, in accordance with Art. 9ce of the Banking Law of 29 August 1997 and Best Practice for GPW Listed Companies 2021.

The Policy applies to decisions regarding the selection of members of the Bank's Supervisory Board, with due consideration of the criteria for suitability assessments of candidates for the Supervisory Board and members of the Supervisory Board, and resolutions of the Bank's General Meeting defining the rules and procedures for appointing and removing from office members of the Bank's governing bodies.

Following a review of the Diversity Policy for members of the Supervisory Board in 2023, it was determined that:

- no amendments were needed (only the Diversity Policy for members of the Management Board required adjustments);
- the document was up-to-date and compliant with supervisory requirements.

Presenting this information, the Supervisory Board is satisfied that:

- the regulations governing the operation of the Supervisory Board are regularly reviewed and adjusted to the changing laws;
- the reviews and adjustments ensure that those regulations comply with the supervisory recommendations and regulations and are adequate, up-to-date and consistent with other internal regulations of the Bank.

## 2. Self-assessment of the effectiveness of activities of the Supervisory Board in 2023

This self-assessment is consistent with the information contained in the report on the activities of the Supervisory Board for 2023.

In 2023, the Supervisory Board held 12 meetings. In addition, 7 votes were held outside of formal meetings, resulting in the adoption of the proposed resolutions.

The number of Supervisory Board meetings significantly exceeded the applicable minimum required under Art. 19.2 of the Articles of Association (*“Meetings of the Supervisory Board are convened by the chair as necessary, at least once every quarter”*) and Art. 389.3 of the Commercial Companies Code (*“Meetings of the Supervisory Board should be convened as necessary, but no less frequently than three times in a financial year”*).

As a rule, all members of the Supervisory Board attended its meetings. The few absences were justified.

To ensure a diverse composition of the Supervisory Board, persons appointed to the Supervisory Board represented various educational backgrounds and skills, high qualifications, and extensive professional experience. Each member of the Supervisory Board made an effort to stay up to date with the Bank’s situation, not only because of the position held, but also because of their education, experience and interests. Important observations and opinions of Supervisory Board members were recorded in the minutes of Supervisory Board meetings.

All Supervisory Board members performed their functions actively, showing the required commitment to the work of the Supervisory Board as a collective body. The Supervisory Board members committed sufficient time to perform their duties related to serving on the supervisory body, including on the committees Supervisory Board committees (each Supervisory Board member served on at least one committee). It was also agreed that committee meetings may be attended by all members of the Supervisory Board, including those who are not members of a given committee (members of the Supervisory Board actively avail themselves of that opportunity). Active engagement of each member of the Supervisory Board allowed the Supervisory Board to duly perform its tasks as a collective supervisory body.

The responsibilities required of the Supervisory Board were fulfilled in a timely manner and with utmost care. Decisions were made following thorough consideration and taking account of the Management Board’s arguments. In 2023, the activities of the Supervisory Board covered matters included in the Supervisory Board’s annual Work Plan, as well as those related to the Bank’s day-to-day operations.

The Supervisory Board gives a positive assessment of the effectiveness of its activities in 2023. In the light of the requirements set out in the Commercial Companies Code and the Articles of Association, the Supervisory Board duly performed its duties related to the ongoing supervision of the Bank, as demonstrated in particular in the ongoing monitoring of:



- the progress in implementing the Group Recovery Plan and the Bank's current financial standing. Due to its materiality to the Bank, this issue was discussed at each meeting. The Supervisory Board reviewed regular (monthly) information on the Bank's financial results, both in relation to the Group Recovery Plan and against peer performance. The Supervisory Board paid particular attention to the need to take more active and effective steps to improve the Bank's revenue, including by increasing the loan balances and the scale of lending activity;
- progress in implementing the Bank's Development Strategy. On a quarterly basis, the Supervisory Board reviewed information regarding the progress made in achieving the Bank's strategic objectives, including WNDB (Weighted New Deposits Balance), ROE (Return on Equity), C/I (Cost-to-Income ratio), share of green assets, ESG (Environmental, Social, and Governance) rating, and employee engagement. The Supervisory Board assessed the implementation of strategic initiatives and projects, and it monitored the level of execution of strategic goals against the assumptions outlined in the Financial Plan;
- the quality of risk management for each type of banking risk; Detailed information in this regard was reviewed on a quarterly basis by both the Supervisory Board and the Risk Committee;
- the quality of compliance risk management as well as the results of internal control and audit procedures and the results of external audits. Detailed information in this regard was reviewed on a quarterly basis by both the Supervisory Board and the Internal Audit Committee;
- pro-environmental activities of the Bank, including the financing of environmental projects, in particular in partnership with the National and the Provincial Funds for Environmental Protection and Water Management – as part of the mission stated in the Articles of Association of BOŚ S.A.; Detailed reports on that subject were reviewed on a quarterly basis by both the Supervisory Board and the Environmental Protection Committee.

In addition to the regular assessment of the Bank's standing after each month and quarter, key matters addressed by the Supervisory Board in 2023 included:

- activities related to the composition of the Bank's Management Board, including recruitment procedures for Management Board members;
- consideration of and assessment of the Bank's and the BOŚ Group's financial statements for 2022, the Directors' Report on the operations of the Bank and the BOŚ Group in 2022; consideration of and providing an opinion on materials to be presented to the Annual General Meeting of BOŚ S.A. on 23 June 2023,
- consideration of and approval of a number of documents submitted to the Supervisory Board by the Management Board, including:
  - BOŚ S.A. Banking risk management strategy and policies for management of individual types of risk, including the Concentration Risk Management Policy, Credit Risk Management Policy, Liquidity Risk Management Policy, Risk Management Policy for Trading Book Market Risk, Risk Management Policy for Banking Book Interest Rate Risk;
  - Model Risk Management Policy;
  - Operational Risk Management Policy;
  - BOŚ S.A. Liquidity Strategy for 2022–2023;
  - Long-Term Plan to Raise and Maintain Stable External Funds for 2022-2023;

- BOŚ S.A. Capital Adequacy Plan;
- Disclosure Policy – rules governing the disclosure by BOŚ S.A. of qualitative and quantitative information on capital adequacy;
- BOŚ S.A. Capital and ICAAP Process Management Policy;
- Internal Audit Chart – rules governing the operation of the internal audit function at BOŚ S.A.;
- Rules of Procedure for the BOŚ S.A. Compliance Department;
- amended BOŚ S.A. Conflicts of Interest Policy;
- Anti-Money Laundering and Terrorist Financing Strategy for 2023;
- ESG Strategy Update.

Furthermore, acting in accordance with the Principles of Corporate Governance for Supervised Institutions and Recommendation Z issued by the Polish Financial Supervision Authority, Best Practice for GPW Listed Companies, and the Act on State Property Management, the Supervisory Board in 2023:

- assessed the Directors' Report on the operations of the BOŚ Group in 2022, prepared jointly with the Directors' Report on the operations of the Bank, and the Bank's and the BOŚ Group's financial statements for 2022 in terms of accuracy and consistency with the accounting records and documents. The Supervisory Board issued a relevant statement, which was published on 22 March 2023, together with the Bank's and the Group's annual report for 2022;

and, as reflected in the annual report of the Supervisory Board approved by the General Meeting on 23 June 2023:

- assessed the Bank's standing in 2022 on a consolidated basis, which included an assessment of the internal control, risk management and compliance systems and the internal audit function;
- assessed the implementation of the Remuneration Policy in 2022 and prepared a draft assessment by the General Meeting of whether the Policy supports the Bank's development and security of its operations;
- assessed the validity of expenses incurred by the Bank and its Group to sponsor culture, sports, charities, media, social organisations, trade unions, etc.;
- assessed the Bank's compliance in 2022 with the Principles of Corporate Governance for Supervised Institutions issued by the Polish Financial Supervision Authority on 22 July 2014, and with the corporate governance standards contained in Best Practice for GPW Listed Companies 2021, and fulfilment of the disclosure requirements regarding compliance with the corporate governance standards, as defined in the Warsaw Stock Exchange Rules and regulations on current and periodic reports;
- assessed the fulfilment by the Management Board of the reporting obligations referred to in Art. 380<sup>1</sup> of the Commercial Companies Code and the manner in which the Management Board prepares and/or submits to the Supervisory Board information, documents, reports and/or clarifications requested by the Supervisory Board in accordance with Art. 382.4 of the Commercial Companies Code;
- assessed the status of implementation of the Diversity Policy with respect to the Management Board and Supervisory Board.

The Supervisory Board also:

- considered and endorsed the report on entertainment, legal, marketing, public relations, social communication and management consultancy expenses incurred in 2022, presented to the Annual General Meeting by the Management Board on 23 June 2023,
- conducted this self-assessment of the adequacy of internal regulations governing the operation of the Supervisory Board (including the Rules of Procedure for the Supervisory Board) and the effectiveness of its activities in 2023.

The Supervisory Board, in fulfilment of its duties:

- gives a positive assessment of the effectiveness of its activities in 2023, concluding that it duly fulfilled its responsibilities in exercising ongoing supervision over the Bank;
- affirms the up-to-date and adequate nature of the internal regulations governing its operations;
- requests the General Meeting to give a positive assessment of:
  - the adequacy of internal regulations governing the operation of the Supervisory Board, including the Rules of Procedure for the Supervisory Board,
  - the effectiveness of the Supervisory Board's activities in 2023.

For the Supervisory Board of Bank Ochrony Środowiska S.A.  
Chair of the Supervisory Board

Piotr Sadownik