



Report on the Remuneration of Members of the Supervisory Board and the Management Board of Bank Ochrony Środowiska S.A. for 2021

Warsaw, April 2022

Contents

- I. INTRODUCTION..... 3
- II. REPORT ON THE REMUNERATION IN RESPECT OF EACH MEMBER OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD: 8
 - 1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Act on Public Offering, and the relative proportions of these components..... 8
 - 2. and 3. Explanation of how the total remuneration complies with the Bank's Remuneration Policy, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied.....15
 - 4. Annual changes in the remuneration, the Company's performance and the average remuneration of the Company's employees other than Members of the Bank's Management or Supervisory Boards, at least for the past five financial years, presented in aggregate, i a manner permitting comparison..... 19
 - 5. Amount of remuneration from entities of the same group within the meaning of the Accounting Act of September 29th 1994.....22
 - 6. Number of financial instruments granted or offered, and key terms of the exercise of rights attached to those instruments, including the price and exercise date and any changes thereto;.....22
 - 7. Information on exercising the option to reclaim variable remuneration components.....23
 - 8. Information on any departures from the remuneration policy implementation procedure and departures applied in accordance with Art. 90f of the Public Offering Act, including explanation of reasons for the departures, manner of their application and elements in respect of which they were applied 26
- III. SUMMARY27

I. INTRODUCTION

This report presents an overview of the remuneration and all benefits received by and payable to individual Members of the Supervisory Board and the Management Board of Bank Ochrony Środowiska S.A. ("BOŚ S.A." or the "Bank") in 2021.

In 2021 the BOŚ Group delivered a net profit of over PLN 47m, compared with a net loss of PLN 307m reported a year earlier. An improvement was recorded in both core business lines: interest income grew to PLN 376m, or 1.4% year on year, while commission income reached PLN 142m and was 5.4% higher than the previous record of 2020.

The improvement in the BOŚ Group's financial condition was reflected in an upgrade to its rating outlook from Fitch Ratings, which affirmed BOŚ's rating and raised its outlook from negative to stable in October 2021.

Composition of the Bank's Supervisory Board and Management Board in 2021:

As at January 1st 2021, the composition of the Supervisory Board was as follows:

- 1) Wojciech Wardacki, Chair of the Supervisory Board,
- 2) Ireneusz Purgacz, Deputy Chair of the Supervisory Board,
- 3) Paweł Sałek, Secretary of the Supervisory Board,

Members:

- 4) Leszek Banaszak,
- 5) Robert Czarnecki,
- 6) Janina Goss,
- 7) Marcin Jastrzębski,
- 8) Marzena Koczut (from December 21st 2020 delegated to temporarily perform the duties of Member of the Management Board – for a period not longer than until March 21st 2021),
- 9) Emil Ślązak,
- 10) Piotr Wróbel.

During the year, the following changes took place in the composition of the Supervisory Board:

- on February 10th 2021, Marzena Koczut, following her appointment as Vice President of the Management Board, tendered her resignation as Member of the Supervisory Board.
- On June 23rd 2021, the Annual General Meeting of the Bank:
 - removed Wojciech Wardacki from the Supervisory Board,
 - appointed Zbigniew Dynak Andrzej Matysiak to the Supervisory Board,
- At the meeting held on July 13th 2021, the Supervisory Board elected Emil Ślężak as Chair of the Supervisory Board.

Following the changes, as at December 31st 2021 the composition of the Supervisory Board was as follows:

- 1) Emil Ślężak, Chair of the Supervisory Board,
- 2) Ireneusz Purgacz, Deputy Chair of the Supervisory Board,
- 3) Paweł Sałek, Secretary of the Supervisory Board,

Members:

- 4) Leszek Banaszak,
- 5) Robert Czarnecki,
- 6) Zbigniew Dynak,
- 7) Janina Goss,
- 8) Marcin Jastrzębski,
- 9) Andrzej Matysiak,
- 10) Piotr Wróbel.

As at January 1st 2021, the composition of the Management Board was as follows:

- 1) Wojciech Hann, Vice President of the Management Board, responsible for activities of the Management Board,
- 2) Arkadiusz Garbarczyk, Vice President of the Management Board, First Deputy President of the Management Board,
- 3) Jerzy Zań, Vice President of the Management Board,
- 4) Marzena Koczut – Member of the Supervisory Board delegated to temporarily perform the duties of Member of the Management Board.

During the year, the following changes took place in the composition of the Management Board:

- on February 10th 2021, the Supervisory Board appointed Marzena Koczut as Vice President of the Management Board,
- on February 15th 2021, the Supervisory Board appointed Robert Kasprzak as Vice President of the Management Board,

- on March 3rd 2021, considering approval granted by the Polish Financial Supervision Authority, the Supervisory Board appointed Wojciech Hann as President of the Management Board.

Following the changes, as at December 31st 2021 the composition of the Management Board of the Bank was as follows:

- 1) Wojciech Hann, President of the Management Board,
- 2) Arkadiusz Garbarczyk, Vice President of the Management Board, First Deputy President of the Management Board,
- 3) Robert Kasprzak, Vice President of the Management Board,
- 4) Marzena Koczut, Vice President of the Management Board,
- 5) Jerzy Zań, Vice President of the Management Board.

Remuneration of Members of the Bank's Supervisory Board and Management Board

Rules of remunerating Members of the Supervisory Board are laid down in:

- 1) Resolution No. 30/2017 of the Annual General Meeting of BOŚ S.A. of June 6th 2017 on the rules of remunerating and determining the remuneration of Members of the Supervisory Board,
- 2) Resolution No. 28/2020 of the Annual General Meeting of BOŚ S.A. of June 17th 2020 on the adoption of the "Remuneration Policy for Members of the Supervisory Board and Members of the Management Board of Bank Ochrony Środowiska S.A." (the "Remuneration Policy").

The terms and conditions of remuneration of Members of the Supervisory Board and additional benefits for serving on the Supervisory Board and its committees are compliant with Art. 10 of the Act on Rules for Remunerating Persons Who Direct Certain Companies of June 9th 2016.

Rules of remunerating Members of the Management Board are laid down in:

- 1) Resolution No. 28/2017 of the General Meeting of BOŚ S.A. of June 6th 2017 on the rules of remunerating Members of the Management Board,
- 2) Resolution No. 32/2017 of the Supervisory Board of BOŚ S.A. of June 21st 2017 on remunerating Members of the Management Board (as amended),
- 3) Resolution No. 28/2020 of the Annual General Meeting of BOŚ S.A. of June 17th 2020 on the adoption of the "Remuneration Policy for Members of the Supervisory Board and Members of the Management Board of Bank Ochrony Środowiska S.A." (the "Remuneration Policy"),

- 4) Resolution No. 417/2021 of the Management Board of Bank Ochrony Środowiska S.A. of December 7th 2021 on the implementation of the Remuneration Policy of Bank Ochrony Środowiska S.A., approved by Resolution No. 119/2021 of the Supervisory Board of BOŚ S.A. of December 15th 2021 (the "RT Remuneration Policy").

The Remuneration Policy was developed taking into account the provisions of:

- 1) the Banking Law of August 29th 1997 (as amended);
- 2) the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005;
- 3) the Act on Rules for Remunerating Persons Who Direct Certain Companies of June 9th 2016;
- 4) the Act on State Property Management of December 16th 2016;
- 5) the Principles of Corporate Governance for Supervised Institutions, issued by the Polish Financial Supervision Authority by way of Resolution No. 218/2014 of July 22nd 2014.

The Remuneration Policy was adopted by the Bank's Annual General Meeting on June 17th 2020, pursuant to Art. 90d of the Act on Public Offering. The Remuneration Policy is consistent with the values and long-term interests of Bank Ochrony Środowiska S.A., such as effective risk management, delivery of the Bank's business strategy and ensuring its stability. The Policy also fosters the development and security of the Bank by delivering on goals and objectives based on long-term growth in the shareholder value and stability of the Bank's operations.

The RT Remuneration Policy was developed based on the following regulations:

- 1) the Banking Law of August 29th 1997, implementing Directive 2013/36/EU of the European Parliament and of the Council of June 26th 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms,
- 2) the Regulation of the Minister of Finance, Development Funds and Regional Policy of June 8th 2021 on risk management and internal control systems and remuneration policy at banks (the "Minister's Regulation").

The RT Remuneration Policy aims to support the implementation of the Bank's strategy and long-term interests, limit conflicts of interest, and contribute to sound and effective risk management. The RT Remuneration Policy is reviewed annually.

The RT Remuneration Policy is gender neutral.

Development, adoption and implementation of the RT Remuneration Policy lie within the remit of the Management Board. The RT Remuneration Policy is approved by the Supervisory Board, after the Remuneration and Nomination Committee of the Supervisory Board provides its opinion thereon.

In connection with the position of the Polish Financial Supervision Authority, published in April 2020, on conservative approach to payment of variable remuneration, in 2020 the RT Remuneration Policy was elaborated to include provisions reflecting 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. If such events occur, the variable remuneration – regardless of its amount – will be settled in accordance with the following principles:

- a) 40% of the accrued variable remuneration will be non-deferred variable remuneration, payable in the year when the performance evaluation was made,
- b) 60% of the accrued variable remuneration will be deferred variable remuneration, to be divided into four equal tranches. The tranches will be awarded and paid annually over a period of four consecutive years following the year in which the non-deferred variable remuneration was awarded to a given Member of the Management Board.

At least 50% of both the non-deferred variable remuneration and each subsequent tranche of the deferred remuneration will be paid in Bank shares.

In 2021, the RT Remuneration Policy was amended twice:

- 1) due to the need to implement the EU legislation on capital requirements for financial institutions, known as the CRD V/CRR II package, transposed into Polish law by virtue of the amended Banking Law and amended Regulation of the Minister of Finance, Development Funds and Regional Policy,
- 2) due to the need to implement recommendation 15 contained in Recommendation Z of the Polish Financial Supervision Authority regarding internal governance at banks, which obligates banks to draw up in written form and implement, upon approval of the Supervisory Board, a transparent and comprehensible remuneration policy at the bank. The amendment stipulates, among other things, that the maximum ratio of the average total gross remuneration of members of the bank's management board in an annual period to

the average total gross remuneration of other employees in the annual period will be 1:16.

The ratio of the average total gross remuneration of Members of the Management Board in 2021 to the average total gross remuneration of other employees of the Bank in 2021 was 6.21 and thus did not exceed the regulatory limit.

The remuneration of Members of the Supervisory Board and Management Board does not include any cash or non-cash benefits granted to their close persons, within the meaning of Art. 90g.5 of the Act on Public Offering.

II. REPORT ON THE REMUNERATION IN RESPECT OF EACH MEMBER OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD:

1. Total remuneration amount, broken down into the components referred to in Art. 90d.3.1 of the Act on Public Offering, and the relative proportions of these components

Remuneration of Members of the Supervisory Board

Members of the Supervisory Board perform their functions on the basis of appointment and only on this basis do they receive remuneration. The remuneration of a Member of the Supervisory Board is determined by the General Meeting by way of resolution.

The terms and conditions of remuneration of Members of the Supervisory Board and additional benefits for serving on the Supervisory Board and its committees are compliant with Art. 10 of the Act on Rules for Remunerating Persons Who Direct Certain Companies of June 9th 2016.

The remuneration of a Member of the Supervisory Board is not linked to the Bank's performance.

The remuneration of a Member of the Supervisory Board is not awarded in the form of financial instruments.

Table 1. Remuneration of Members of the Supervisory Board in 2020 and 2021

Full name and position	term of service on the Supervisory Board	remuneration paid in 2020 (PLN '000)		remuneration paid in 2021 (PLN '000)	
		fixed	other benefits*	fixed	other benefits*
Wojciech Wardacki – Chair	February 15th 2016 – June 23rd 2021	177.1	3.5	89.7	2.9
Emil Ślązak – Chair	since February 15th 2016	81.3	0.4	158.6	2.3
Ireneusz Purgacz – Deputy Chair	since June 18th 2019	131.1	0.0	149.3	0.2
Paweł Sałek – Secretary	since June 18th 2019	127.1	3.5	149.3	2.2
Leszek Banaszak – Member	since October 19th 2020	25.0	0	130.6	2.8
Robert Czarnecki – Member	since October 19th 2020	25.0	0	130.6	1.6
Janina Goss – Member	since June 23rd 2016	124.0	1.7	130.6	0
Marcin Jastrzębski – Member	since August 25th 2020	43.4	0.0	130.6	2
Marzena Koczut – Member	October 19th – December 21st 2020	21.3	0	0	0
Piotr Wróbel – Member	since August 5th 2020	50.3	0.5	130.6	2.1
Andrzej Matysiak – Member	February 15th 2016 – October 19th 2020 and since June 23rd 2021	113.5	2.4	68	0
Zbigniew Dynak – Member	since June 23rd 2021	0	0	68	0.7
Przemysław Bednarski – Member	August 5th – October 17th 2020	25.0	0	0	0
Iwona Duda – Member	February 13th 2018 – May 12th 2020	45.3	1.4	0	0
Katarzyna Lewandowska – Deputy Chair	June 18th 2019 – June 15th 2020	65.0	1.4	0	0
Radosław Rasała – Member	June 18th 2019 – August 5th 2020	73.9	3.6	0	0
Piotr Sadownik – Member	February 15th 2016 – November 6th 2020	105.4	1.3	0	0

Source: Bank

*other benefits – refund of overpaid social security contributions, PPK contributions paid by BOŚ S.A.

Remuneration of Members of the Management Board

Key information on remuneration in 2020 and 2021

The total remuneration of a Member of the Management Board comprises:

- 1) the amount of a fixed component in the form of a monthly base pay ("fixed remuneration");
- 2) a variable component representing variable remuneration payable for the Bank's financial year, determined in accordance with the rules laid down in the RT Remuneration Policy ("variable remuneration").

The fixed remuneration is determined by the Supervisory Board as the product of the average monthly remuneration in the non-financial corporate sector (net of bonuses paid from profit) in the fourth quarter of the preceding year, as announced by the President of Statistics Poland, and a factor set by the Supervisory Board, following from the Rules of remunerating Members of the Bank's Management Board, as set forth in Resolution No. 28/2017 of the General Meeting of BOŚ S.A. of June 6th 2017.

The fixed remuneration for individual Members of the Management Board is determined based on the scale of the Bank's business operations, in particular the value of its assets, revenue, workforce and financial condition.

Rules of determining the variable remuneration of Members of the Management Board are laid down in their management service contracts (the "Contract"), the form of which is defined in Resolution No. 32/2017 of the Supervisory Board of BOŚ S.A. of June 21st 2017 on remunerating Members of the Management Board and in the RT Remuneration Policy.

The variable remuneration of Members of the Management Board is paid once a year, upon approval of the Directors' Report on the Bank's operations and the Bank's financial statements for the previous financial year, as well as upon granting discharge from liability to a given Member of the Management Board in respect of performance of their duties and satisfaction of the vesting conditions for variable remuneration in accordance with the provisions of the Contract and the RT Remuneration Policy. The results, including financial and non-financial criteria, are assessed for a period of at least three years, so that the Bank's business cycle and risks related to its operations can be taken into

account. The Remuneration and Nomination Committee recommends to the Supervisory Board the amount of the variable remuneration for Members of the Management Board. The Supervisory Board decides in a resolution on the amount of the variable remuneration to be awarded to individual Members of the Management Board.

The total amount of the variable remuneration awarded to Members of the Management Board for a given financial year may not exceed 100% of the fixed remuneration for the financial year.

In 2020 and 2021, the proportion was not exceeded.

The variable remuneration of a Member of the Management Board comprises:

- 1) Bank shares, representing at least 50% of the Member's total variable remuneration calculated for a given year;
- 2) cash, representing no more than 50% of the Member's total variable remuneration calculated for a given year.

Bank shares referred to above mean:

- 1) shares in Bank Ochrony Środowiska S.A. of Warsaw, listed on the Warsaw Stock Exchange, being shares in book-entry form assigned code PLBBOS0000019, hereinafter referred to as actual shares,
- 2) phantom shares, also referred to as virtual shares: cash benefits equal to the value of actual shares.

The Supervisory Board awards 60% of the variable remuneration for the previous year in the assessment year, with at least half of the tranche being Bank shares, representing at least 50% of the total variable remuneration, and no more than a half being cash. 40% of the variable remuneration is awarded by the Supervisory Board within five years (with respect to variable remuneration for 2021 and subsequent years; variable remuneration for previous periods is settled within three years), in equal annual tranches payable in arrears; at least a half of each annual tranche has the form of Bank shares and no more than a half – of cash. The amount of each tranche depends on the effects of the management services provided by a Member of the Management Board, the performance of the business line for which the Member is responsible, as well as the Group's and the Bank's performance in the assessment period.

The terms and conditions of remuneration for Members of the Management Board comply with the provisions of

Art. 4 of the Act on Rules for Remunerating Persons Who Direct Certain Companies of June 9th 2016, and take into account the scale of the Bank's business operations and its financial condition.

Rules governing payment of other components of remuneration (non-compete, severance pay) for Members of the Management Board

In order to ensure that a Member of the Management Board refrains from engaging directly or indirectly in activities that are in competition with the Bank's business after such Member ceases to hold office, non-compete restrictions are introduced for Members who have served on the Management Board for at least three months. The non-compete restriction remains in force for six months after such Member ceases to hold office. During the non-compete period, a Member of the Management Board is entitled to receive 50% of the fixed monthly remuneration received by them immediately before they ceased to hold office for a period equal to the non-compete period.

In the event of non-performance or improper performance by a Member of the Management Board of their obligations under the non-compete clause, the Member is obliged to pay to the Bank a contractual penalty equal to 50% of the fixed monthly remuneration received by the Member immediately before they ceased to hold office, for the entire period for which the non-compete restriction was introduced, regardless of the actual period in which it was effective.

Additionally, if the management service Contract is terminated for reasons other than a breach by a Member of the Management Board of their principal duties thereunder, the Member may receive severance pay equal to three times their fixed remuneration, provided that such Member has held the position for at least 12 months prior to the termination.

In 2020, following termination, as of June 17th 2020, of the management service contract with Bogusław Białowas due to the expiry of his term of office, he was bound by the non-compete restriction for the period specified in the contract, i.e. six months. The compensation was paid in six monthly instalments from July 2020.

No severance was paid in 2020 or in 2021.

Other benefits – additional benefits to which a Member of the Management Board is entitled and which are necessary to perform their duties

During the term of the management service Contract, a Member of the Management Board has the right to use the following technical equipment and resources, which remain the Bank's property, necessary to perform their duties:

- 1) right to use office space along with equipment at the Bank's registered office,
- 2) right to exclusive use of a car, with the proviso that the Member may waive that right, in accordance with the Contract,
- 3) right to use a desktop and a portable computer,
- 4) right to use a mobile phone, a modem, and data transmission equipment,
- 5) right to use a credit card with a limit of up to PLN 20,000,
- 6) right to have all documented expenses reimbursed to the extent they were necessary to perform the Member's duties, on the terms and conditions stipulated in the Contract.

The Bank also finances or refinances the cost of individual training of a Member of the Management Board related to the provision of management services and contractual obligations of the Member up to PLN 20,000 (gross) per year.

The rules of remunerating Members of the Management Board do not provide for financing or covering any private life expenses.

Table 2. Total remuneration of Members of the Management Board for 2020 and 2021

Full name and position of Management Board Member	Term of service on the Management Board	Reporting period	1		2		3	4	5
			Fixed remuneration		Variable remuneration				
			fixed	other benefits*	non-deferred**	deferred***			
Wojciech Hann, President of the Management Board	since November 9th 2020	January 1st – December 31st 2020	93,040	0	0	0	0	93,040	0%
		January 1st – December 31st 2021	635,916	1.2	0	0	0	637,154	0%
Arkadiusz Garbarczyk, First Vice President, First Deputy President of the Management Board	since December 6th 2017	January 1st – December 31st 2020	579,712	12,077	239,978	21,260	0	853,027	44.14%
		January 1st – December 31st 2021	579,713	14,522	0	223,162	0	817,397	38.5%
Jerzy Zań, Vice President	since November	January 1st – December 31st 2020	515,300	10,849	0	0	0	526,149	0%

of the Management Board	4th 2019	January 1st – December 31st 2021	515,300	7,918	0	0	0	523,218	0%
Marzena Kocut, Vice President of the Management Board	since December 21st 2020	January 1st – December 31st 2020	15,615	0	0	0	0	15,615	0%
		January 1st – December 31st 2021	513,156	26,642	0	0	0	539,798	0%
Robert Kasprzak, Vice President of the Management Board	since February 15th 2021	January 1st – December 31st 2021	449,459	4,050	0	0	0	453,509	0%
Bogusław Białowas, President of the Management Board****	June 16th 2017 – June 17th 2020	January 1st – December 31st 2020	280,910	0	209,746	24,144	137,905	652,705	83.26%
		January 1st – December 31st 2021	0	0	0	166,947	14,383	181,330	0%
Konrad Raczkowski, Vice President of the Management Board	February 21st 2018 – June 18th 2019	January 1st – December 31st 2020	0	0	0	77,771	11,504	89,275	0%
		January 1st – December 31st 2021	0	0	0	0	0	0	0%
Emil Ślężak, acting President of the Management Board	June 18th – September 18th 2019	January 1st – December 31st 2020	253,816	0	0	0	0	253,816	0%
	September 20th – November 3rd 2019								
	June 18th – September 15th 2020 September 17th – November 8th 2020	January 1st – December 31st 2021	0	0	0	0	0	0	0%

Source: Bank

*Other benefits – refund of overpaid social security contributions, PPK contributions paid by BOŚ S.A., payment of a car allowance.

**Non-deferred variable remuneration – non-deferred cash part of the variable remuneration, awarded and paid in a given year.

***Deferred variable remuneration – deferred (cash and non-cash) part of the variable remuneration awarded in previous years, paid on maturity of the respective tranches in a given year. The amount of the non-cash tranches is the product of the number of specific Bank shares and the average weighted price of Bank shares at regular trading sessions on the WSE in the period from December 1st of the year preceding the award of the variable remuneration to January 31st of the year in which the variable remuneration is awarded.

****The table does not show the second tranche of the deferred variable

remuneration for 2018 (awarded as phantom shares) and the first tranche of the deferred variable remuneration for 2019, which were determined using the exchange rate equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period, and paid after the lapse of the retention period, i.e. in March 2022.

2. and 3. Explanation of how the total remuneration complies with the Bank's Remuneration Policy, including how it contributes to the long-term performance of the Company, and information on how performance criteria have been applied

The Bank pays remuneration to Members of its Supervisory Board and Management Board only in accordance with the Remuneration Policy and the RT Remuneration Policy.

Members of the Supervisory Board of BOŚ S.A. are only awarded fixed remuneration in accordance with the rules specified in a resolution of the Bank's General Meeting. Remuneration of individual Members of the Supervisory Board is computed as the product of the average monthly remuneration in the non-financial corporate sector (net of bonuses paid from profit) in the fourth quarter of the preceding year, as announced by the President of Statistics Poland, and a factor of:

- 1) 2.5 – for the Chair of the Supervisory Board
- 2) 2.0 – for the Deputy Chair of the Supervisory Board
- 3) 2.0 – for the Secretary of the Supervisory Board
- 4) 1.75. – for other Members of the Supervisory Board.

Applying the objective market indicator to determine the remuneration ensures that the supervisory body has the independence necessary to perform its functions, including in relation to the Bank's Management Board. The total remuneration to be paid consists of a fixed monthly component increased by 10% if a given Member of the Supervisory Board sits on at least one standing committee of the Supervisory Board. Members of the Supervisory Board may participate in Employee Capital Plans (PPK).

Members of the Management Board of BOŚ S.A. may receive variable remuneration in addition to fixed remuneration. The ratio of variable remuneration to fixed remuneration may not exceed 100% in a year. The fixed remuneration awarded under the Contract factors in the individual scope of responsibility, the professional experience and skills adequate to the managerial duties entrusted to a given person, while complying with the provisions of Art. 4 of the Act on Rules for Remunerating

Persons Who Direct Certain Companies of June 9th 2016, and takes into account the scale of the Bank's business operations and its financial condition.

Members of the Bank's Management Board are eligible to participate in Employee Capital Plans (PPK) on a voluntary basis.

The variable remuneration that may be awarded to Members of the Bank's Management Board depends entirely on the Bank's performance and delivery of performance-related objectives set for a given financial year.

In the case of the variable remuneration linked to the Bank's performance, the total amount of such remuneration is determined based on the assessment of the Management Board Member's individual performance, the performance of the business area/line for which the Member is responsible and the overall performance of the Bank. The term 'performance' is understood to mean the actual delivery of productivity, financial, sales and other individual (including non-financial) targets set forth in the Bank's strategy and/or financial plan for a given year.

Risk-adjusted measurement of financial performance in the long term is made by applying the RORAA (return on risk-adjusted assets) metric both for the entire Bank and for individual business areas.

For each financial year, the Supervisory Board sets common targets to be achieved by all Members of the Management Board, including:

- 1) increase in the Bank's and its Group's net profit,
- 2) achievement of a specific level or change of certain economic and financial ratios, including in particular:
 - a) the Bank's and its Group's C/I,
 - b) the Bank's and its Group's return on risk-adjusted assets (RORAA),
 - c) the Bank's and its Group's return on equity (ROE),
- 3) implementation of the Bank's and its Group's Strategy, as demonstrated by the achievement of a specific level or change of other ratios attesting to management efficiency, solvency, liquidity, improved market position, expansion of the client base and higher client satisfaction.

The 2021 targets for the Bank's Management Board were set by Supervisory Board Resolutions Nos. 62–66/2021, while the 2020 targets – by Supervisory Board Resolutions Nos. 85–87/2020. The targets to be achieved by Members of the Bank's Management Board contain different financial and non-financial performance criteria related to the areas within their respective remits. These criteria include the degree of

achievement of specific financial ratios by the Bank, the levels of which objectively reflect the Bank's economic condition and its position on the market.

One of the targets set by the Bank's Supervisory Board for 2021 was to obtain the first ever ESG (E – environmental, S – social, and G – governance) rating for BOŚ. Obtaining the ESG rating and the ESG score reflect the Bank's approach to the Sustainable Development Goals set out in the UN Agenda 2030 and adopted by UN member countries. When assessing the achievement of this target, the Supervisory Board will take into account the ESG-oriented initiatives, including the implementation of a number of internal regulations concerning respect for employee rights, diversity, ethics, more transparent disclosure of sustainable development aspects, applying ESG standards with respect to suppliers, improving the procedures for environmentally sustainable lending in accordance with the EBA Guidelines, publication of the Bank's Climate Policy, which will, among other things, exclude the possibility to provide new financing for thermal coal mining projects or new coal-fired generating units, as well as active participation in climate protection initiatives, including membership of the United Nations Global Compact (UNGC) and joining the Science Based Targets (SBTs) initiative of companies striving for climate neutrality.

The achievement of the targets referred to above is evaluated by the Bank's Supervisory Board following the Remuneration and Nomination Committee's recommendation and has an effect on the amount of variable remuneration. In the period covered by this report, the Supervisory Board passed resolutions concerning achievement of targets for 2019 (Supervisory Board Resolutions Nos. 82–84/2020 of December 16th 2020) and for 2020 (Supervisory Board Resolutions Nos. 79–81/2021 of September 1st 2021). Furthermore, in 2021 the Supervisory Board accounted for the tranches of the deferred variable remuneration determined for 2018 and 2019 (Supervisory Board Resolutions Nos. 80 and 82–83/2021 of September 1st 2021).

The achievement of the 2021 targets will be evaluated in 2022, including upon approval of the Directors' Report on the Bank's operations and the Bank's financial statements for the previous financial year, and upon granting discharge from liability to Members of the Management Board in respect of performance of their duties.

The process of awarding and paying variable components of remuneration to Members of the Management Board is subject to the

regulations referred to in the RT Remuneration Policy, including the provisions of the Minister's Regulation. This means that in addition to the achievement of the targets, the process depends closely on the Bank's performance in the financial year for which variable components of remuneration may be awarded over the five subsequent years.

Thus, the performance-related criteria, especially the long-term ones, have been reflected at several levels of the process:

- in the targets to be achieved by Members of the Management Board,
- in the annual assessment of individual Members of the Management Board, which – in line with the RT Remuneration Policy – relates to the assessment of each Member's performance, the performance of the business area/line for which the Member is responsible, and the overall performance of the Bank,
- in the terms of payment, according to which 40% of the variable remuneration of Members of the Management Board for a given year is deferred for five years (with respect to the variable remuneration for 2021 and subsequent years; the variable remuneration for previous periods is settled within three years). Each of the five (or three) equal portions of this remuneration is awarded independently, following a review of the performance for each financial year,
- in the split of the variable remuneration into two parts, one payable in cash (up to 50%), and the other – in Bank shares (at least 50%); if the Bank is unable to allocate its actual shares for the purpose, the awarded variable remuneration should be paid in phantom shares, at the value per phantom share equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period (six months from the date on which the variable remuneration component was awarded to a Member of the Management Board under a resolution of the Supervisory Board).

A decision to reduce, withhold, or refuse payment or disbursement of the variable remuneration is made by the Supervisory Board in accordance with the terms and conditions set out in the Contract and the RT Remuneration Policy.

In relation to Members of the Management Board, payment of the variable remuneration (each part thereof) is:

- 1) reduced or withheld e.g. in the circumstances referred to in Art. 142.1 of the Banking Law;
- 2) reduced when:
 - a) the Bank's performance deviates negatively and significantly from the approved financial plan for the year,

- b) there is proof of misconduct or material errors on the part of a Member of the Management Board, e.g. non-compliance with the Code of Ethics of Bank Ochrony Środowiska S.A., a breach of the Member's basic obligations under the Contract, etc.
- c) there is proof of a significant failure or error on the part of a Member of the Management Board regarding risk management or internal control procedures, altering the assessment of initial circumstances in which the variable remuneration of the Member was determined.

The Supervisory Board may also refuse to pay or disburse the variable remuneration in particular if a Member of the Management Board:

- 1) participated in or was responsible for conduct which resulted in significant losses to the Bank,
- 2) failed to meet appropriate standards ensuring safe and prudent management of the Bank,
- 3) was removed from the Management Board due to a gross breach of their basic obligations under the Contract,
- 4) resigned from their position.

Regardless of the above, Members of the Management Board may not resort to their own hedging strategies or to remuneration and indemnity insurance policies that would nullify any measures taken by the Bank in the implementation of the variable remuneration components policy, save for compulsory insurance provided for in special regulations.

4. Annual changes in the remuneration, the Company's performance and the average remuneration of the Company's employees other than Members of the Bank's Management or Supervisory Boards, at least for the past five financial years, presented in aggregate, in a manner permitting comparison

Table 3. Comparison of changes in the remuneration and the Company's performance for the past five reported financial years

Full name Annual change	2016	2017	2018	2019	2020	2021
Remuneration of Members of the Supervisory Board (PLN '000)						
Wojciech Wardacki – Chair	138.4	154.3	159.8	168.8	180.6	92.6
<i>year-on-year change</i>	-	11.49%	3.56%	5.63%	6.99%	-49%
Emil Ślązak –	90.8	87.9	126.9	81.7	75.1	160.0

Member						
<i>year-on-year change</i>	-	-3%	44%	-36%	-8%	114%
Ireneusz Purgacz – Deputy Chair	0	0	0	62.4	131.1	149.5
<i>year-on-year change</i>	-	-	-	-	110%	14%
Paweł Sałek – Secretary	0	0	0	64.2	130.6	151.5
<i>year-on-year change</i>	-	-	-	-	103%	16%
Leszek Banaszak – Member	0	0	0	0	25	133.4
<i>year-on-year change</i>	-	-	-	-	-	434%
Robert Czarnecki – Member	0	0	0	0	25	132.3
<i>year-on-year change</i>	-	-	-	-	-	429%
Janina Goss – Member	54.3	106.3	112.5	120.0	125.7	130.6
<i>year-on-year change</i>	-	96%	6%	7%	5%	4%
Marcin Jastrzębski – Member	0	0	0	0	43.4	132.6
<i>year-on-year change</i>	-	-	-	-	-	206%
Marzena Koczut – Member	0	0	0	0	21.3	0
<i>year-on-year change</i>	-	-	-	-	-	
Piotr Wróbel – Member	0	0	0	0	50.1	132.8
<i>year-on-year change</i>	-	-	-	-	-	165%
Andrzej Matysiak – Secretary	91.8	111.5	126.6	134.8	115.9	68
<i>year-on-year change</i>	-	21%	14%	6%	-14%	-41%
Zbigniew Dynak – Member	0	0	0	0	0	69
<i>year-on-year change</i>	-	-	-	-	-	-
Przemysław Bednarski – Member	0	0	0	0	25	0
<i>year-on-year change</i>	-	-	-	-	-	-
Iwona Duda – Member	0	0	98.2	118.7	46.7	0
<i>year-on-year change</i>	-	-	-	21%	61%	-
Katarzyna	0	0	0	73	66.4	0

Lewandowska Deputy Chair						
<i>year-on-year change</i>	-	-	-	-	-9%	-
Radosław Rasoła – Member	0	0	0	62.8	77.5	0
<i>year-on-year change</i>	-	-	-	-	23%	-
Piotr Sadownik – Member	89.3	107.7	109.5	120.7	106.7	0
<i>year-on-year change</i>	-	21%	2%	10%	-12%	-
Marian Szołucha – Member	89.3	109.0	110.6	55.0	0	0
<i>year-on-year change</i>	-	22%	1%	-50%	-	-
Dariusz Wasilewski – Member	0	0	98.4	57.0	0	0
<i>year-on-year change</i>	-	-	-	-42%	-	-
Remuneration of Members of the Management Board (PLN '000)						
Wojciech Hann – President	0	0	0	0	93	637.2
<i>year-on-year change</i>	-	-	-	-	-	585%
Bogusław Białowąs – President	0	220.3	568.8	744	653	181.3
<i>year-on-year change</i>	-	-	158%	31%	-12%	-72%
Emil Ślęzak – acting President	0	36.0	0	177.4	253.8	0
<i>year-on-year change</i>	-	-	-	-	43%	-
Arkadiusz Garbarczyk – Vice President, First Deputy President	0	25.7	498.3	667.3	853.0	817.4
<i>year-on-year change</i>	-	-	1,839%	34%	28%	-4%
Robert Kasprzak – Vice President	0	0	0	0	0	453.5
<i>year-on-year change</i>	-	-	-	-	-	-
Marzena Koczut – Vice President	0	0	0	0	15.6	539.8
<i>year-on-year change</i>	-	-	-	-	-	3,360%
Jerzy Zań – Vice President	0	0	0	77	526.1	523.2

<i>year-on-year change</i>	-	-	-	-	583%	-1%
Konrad Raczkowski – Vice President	0	0	389.3	423.2	89.3	0
<i>year-on-year change</i>	-	-	-	9%	-79%	-
Performance of the BOŚ Group (PLNm)						
Group's profit before tax	-79	72	89	110	-286	79
<i>year-on-year change</i>	39%	-	23%	24%	-	-
Group's net profit	-60	46	64	72	-307	47
<i>year-on-year change</i>	18%	-	38%	13%	-	-
Cost/income ratio	75	65	62	61	62	65
<i>year-on-year change</i>	-16%	-14%	-4%	-1%	2%	5%
Profit attributable to shareholders of BOŚ S.A.	-60	46	64	71	-307	47
<i>year-on-year change</i>	18%		38%	13%	-	-
Average remuneration per FTE* (PLN '000)						
Employees of the Bank	7,047	7,143	7,298	7,655	8,105	8,155
<i>year-on-year change</i>	100.3%	101.4%	102.2%	104.9%	105.9%	100.6%

Source: Bank

5. Amount of remuneration from entities of the same group within the meaning of the Accounting Act of September 29th 1994

In 2020 and 2021, Members of the Bank's Supervisory Board and Management Board did not receive any remuneration from entities of the Bank Ochrony Środowiska Group.

6. Number of financial instruments granted or offered, and key terms of the exercise of rights attached to those instruments, including the price and exercise date and any changes thereto;

At least 50% of the non-deferred portion and at least 50% of the deferred portion of the variable remuneration are awarded in the form of non-cash payments, i.e. in the form of Bank shares, which include:

- 1) actual shares,

2) phantom shares.

At least 40% of the variable remuneration is deferred for five years (with respect to the variable remuneration for 2021 and subsequent years; the variable remuneration for previous periods is settled within three years), with the proviso that payment of each deferred portion is contingent upon the absence of any negative circumstances preventing its payment or reducing its amount.

The rights to non-cash tranches awarded as part of the variable remuneration of Members of the Management Board for 2018 and 2019 vested in 2020 and 2021.

Table 4. The table below presents the deferred variable remuneration in the form of financial instruments and cash determined but not yet awarded:

Full name and position of Management Board Member	For	Number of instruments		Cash (PLN '000)	
		Award date			
		2022	2023	2022	2023
Bogusław Białowąs, President of the Management Board	variable remuneration for 2018	4,140	0	30,179	0
	variable remuneration for 2019	2,806	2,806	19,220	19,220
Arkadiusz Garbarczyk, Vice President of the Management Board, First Deputy President of the Management Board	variable remuneration for 2018	3,645	0	26,574	0
	variable remuneration for 2019	4,264	4,264	29,210	29,209

Source: the Bank (based on the Supervisory Board resolutions to determine variable remuneration of individual Members of the Management Board of BOŚ S.A. for the year)

Due to non-fulfilment of the vesting condition for the variable remuneration (bonus), no variable remuneration was awarded for 2020 to Members of the Management Board of BOŚ S.A.

The amount of variable remuneration for 2021 has not yet been determined and awarded.

7. Information on exercising the option to reclaim variable remuneration components

The RT Remuneration Policy does not provide for the right to reclaim

variable remuneration components. The applicable regulations provide for the option of non-payment of the deferred variable remuneration or reduction of its amount.

The variable remuneration, including its deferred portion, is awarded and paid when justified by the Bank's financial condition and the Bank's/Group's overall performance, the performance of the business line/organisational unit falling within the remit of a Member of the Management Board and their individual performance). The deferral period is five years (with respect to the variable remuneration for 2021 and subsequent years; the variable remuneration for previous periods is settled within three years), comprising five (or three) annual settlement periods, after the end of the assessment period and after the calculation of the base value of the variable remuneration for Members of the Management Board. In that period, it is assessed whether there are any reasons justifying a reduction of the amount of the variable remuneration (malus); following such assessment, an employee's right to receive other portions of the deferred variable remuneration may vest in accordance with the RT Remuneration Policy.

A decision to reduce, withhold, or refuse payment or disbursement of the variable remuneration is made by the Supervisory Board in accordance with the terms and conditions set out in the Contract and the RT Remuneration Policy.

Payment of the variable remuneration (each part thereof) is:

- 1) reduced or withheld e.g. in the circumstances referred to in Art. 142.1 of the Banking Law;
- 2) reduced when:
 - a) the Bank's performance deviates negatively and significantly from the approved financial plan for the year,
 - b) there is proof of misconduct or material errors on the part of a Member of the Management Board, e.g. non-compliance with the Code of Ethics of Bank Ochrony Środowiska S.A., a breach of the Member's basic obligations under the Contract, etc.
 - c) there is proof of a significant failure or error on the part of a Member of the Management Board regarding risk management or internal control procedures, altering the assessment of initial circumstances in which the variable remuneration of the Member was determined.

The Supervisory Board may also refuse to pay or disburse the variable remuneration in particular if a Member of the Management Board:

- 1) participated in or was responsible for conduct which resulted in significant losses to the Bank,

- 2) failed to meet appropriate standards ensuring safe and prudent management of the Bank,
- 3) was removed from the Management Board due to a gross breach of their basic obligations under the Contract,
- 4) resigned from their position.

In 2020 and 2021, upon identification of circumstances enabling the exercise of the malus clauses in relation to Members of the Management Board, the Supervisory Board, determining the variable remuneration for 2018 and 2019, decided to reduce the final amount of the variable remuneration of individual Members of the Management Board, i.e.:

- the variable remuneration for 2018, determined and partly awarded by the Supervisory Board in 2019 – in view of the Bank's implementation of the Recovery Programme – pursuant to Art. 142 of the Banking Law, and the lower-than-expected net banking income (99.8%) in 2018, out of concern for the interests of the Bank, its clients and shareholders – was reduced to 80%;
- the variable remuneration for 2019, determined and partly awarded by the Supervisory Board in 2020 – in view of the Bank's implementation of the Recovery Programme – pursuant to Art. 142 of the Banking Law, considering that the Bank's performance significantly deviated from the approved Financial Plan for 2020, and taking into account Konrad Raczkowski's resignation from office, out of concern for the interests of the Bank, its clients and shareholders:
 - was reduced to 50% in the case of Bogusław Białowąż;
 - was reduced to 80% in the case of Arkadiusz Garbarczyk;
 - was reduced to 0 in the case of Konrad Raczkowski.
- Tranche 1 of the deferred variable remuneration for 2018 (both in the cash and cashless form) awarded by the Supervisory Board in 2020 in view, among other things, of the Bank's implementation of the Recovery Programme – pursuant to Art. 142 of the Banking Law, considering that the Bank's performance significantly deviated from the approved Financial Plan for 2020, and taking into account Konrad Raczkowski's resignation from office, out of concern for the interests of the Bank, its clients and shareholders:
 - was reduced to 80% in the case of Bogusław Białowąż,
 - was reduced to 80% in the case of Arkadiusz Garbarczyk,
 - was not awarded to Konrad Raczkowski.
- With respect to Tranche 2 of the deferred variable remuneration for 2018 and Tranche 1 of the deferred variable remuneration for 2019

(both in the cash and cashless form) awarded by the Supervisory Board in 2021 in view, among other things, of the Bank's implementation of the Recovery Programme – pursuant to Art. 142 of the Banking Law, considering that the Bank's performance significantly deviated from the approved Financial Plan for 2020, and taking into account Konrad Raczkowski's resignation from office, out of concern for the interests of the Bank, its clients and shareholders:

- Tranche 2 of the deferred variable remuneration determined for 2018 was reduced to 70%, and Tranche 1 of the deferred variable remuneration determined for 2019 was reduced by 10% in the case of Bogusław Białowas, President of the Management Board in the period from November 8th 2017 to June 16th 2020;
- Tranche 2 of the deferred variable remuneration determined for 2018 was reduced to 70%, and Tranche 1 of the deferred variable remuneration determined for 2019 was reduced by 10% in the case of Arkadiusz Garbarczyk, Vice President, First Deputy President of the Management Board;
- Tranche 2 of the deferred variable remuneration determined for 2018 was not awarded to Konrad Raczkowski, Vice President of the Management Board in the period from February 21st 2018 to June 18th 2019.

Due to non-fulfilment of the vesting condition for the variable remuneration (bonus), no variable remuneration was awarded for 2020 to Members of the Management Board of BOŚ S.A.

The amount of variable remuneration for 2021 has not yet been determined and awarded.

8. Information on any departures from the remuneration policy implementation procedure and departures applied in accordance with Art. 90f of the Public Offering Act, including explanation of reasons for the departures, manner of their application and elements in respect of which they were applied

On June 16th 2020, in line with the recommendation of its Remuneration and Nomination Committee, the Supervisory Board, having considered the Polish Financial Supervision Authority's opinion on variable components of remuneration at banks, as outlined in a letter of April 17th 2020 concerning measures expected to be taken by banks in response to the outbreak of the COVID-19 pandemic, resolved to amend the RT Remuneration Policy. The RT Remuneration Policy was elaborated to

include provisions reflecting 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. If such events occur, the variable remuneration – regardless of its amount – will be settled in accordance with the following principles:

- a) 40% of the accrued variable remuneration will be non-deferred variable remuneration, payable in the year when the performance evaluation was made,
- b) 60% of the accrued variable remuneration will be deferred variable remuneration, to be divided into four equal tranches. The tranches will be awarded and paid annually over a period of four consecutive years following the year in which the non-deferred variable remuneration was awarded to a given Member of the Management Board.

At least 50% of both the non-deferred variable remuneration and each subsequent tranche of the deferred remuneration will be paid in Bank shares.

These principles apply to the variable remuneration as of 2020.

The General Meeting held on June 23rd 2021 resolved to approve the previous report on the remuneration of Members of the Management Board and Supervisory Board of Bank Ochrony Środowiska S.A. for 2019 and 2020, stating that the remuneration policy followed by the Bank fosters the development and security of Bank Ochrony Środowiska S.A.

III. SUMMARY

With particular attention paid to the need to ensure prudent and sound management of the Bank's risk, liquidity and capital in the long term, and having regard to the interests of shareholders, the Supervisory Board reviewed the remuneration and other benefits received by Members of the Bank's Management Board and Supervisory Board in the reporting period. Based on that review, it concluded that the policies applied by BOŚ S.A., i.e. the Remuneration Policy and the RT Remuneration Policy, constitute an appropriate tool for managing the remuneration of those bodies, comply with the legal requirements and facilitate proper risk management. The remuneration is awarded and paid in accordance with these policies.

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

Emil Ślązak, PhD, Warsaw School of Economics, Chair of the
Supervisory Board

Warsaw, April 27th 2022