

***Appendix 1 to Resolution of the Supervisory Board No 30/2022 of April, 13 2022***

**The Supervisory Board of mBank Hipoteczny S.A., by Resolution No 30/2022, approved the assessment of application by mBank Hipoteczny S.A. (hereinafter referred to as Bank) in 2021 of the “Principles of Corporate Governance for Supervised Institutions” introduced by the Polish Financial Supervision Authority. On the basis of information received from the Management Board of mBank Hipoteczny S.A., the Supervisory Board confirms that the Bank has implemented and applies the Principles of Corporate Governance.**

According to § 27 of the *Principles of Corporate Governance for Supervised Institutions*, the supervisory authority performs a regular assessment of application of the principles, and the results of this assessment are made available on the supervised institution’s website and communicated to the remaining bodies of the supervised institution.

**IMPLEMENTATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE**

By way of Resolution No 247/2014 of 16 December 2014, the Management Board of mBank Hipoteczny S.A. adopted for application *the Principles of Corporate Governance for Supervised Institutions*, save for the principles set out in:

- a) § 8(4) – shares of mBank Hipoteczny S.A. are acquired indirectly or directly by one shareholder, i.e. mBank S.A. General Meetings shall take place without a formal convocation, and always 100% of the capital shall be represented at a General Meeting. Accordingly, the number of shareholders does not justify the necessity of organizing meetings by use of electronic devices;
- b) § 25(1) – the departure from said principle is dictated by close cooperation with the shareholder, in particular within the scope of consolidated supervision, large exposure risk management, application of statistical methods, area of risk, compliance, internal audit, as well as by the extensive cyclical reporting. In view of the above, the Supervisory Board sessions held 3 times per year are sufficient for keeping the Bank secure;
- c) § 29 – remuneration for holding the position of a member of the Supervisory Board is awarded by the General Meeting to an independent member. The remaining Board Members do not receive remuneration;

- d) § 53-57 – the departure from said principles is dictated by the fact that the Bank, as a specialist institution, does not carry out an activity within the field of asset management at the customer's risk.

The Supervisory Board of mBank Hipoteczny S.A. has adopted the *Principles of Corporate Governance for Supervised Institutions* by way of Supervisory Board Resolution No 1/2015 of 19 January 2015, save for the aforementioned principles.

By way of OGM Resolution No 15 of 22 April 2015, the Ordinary General Meeting of mBank Hipoteczny S.A. has adopted the *Principles of Corporate Governance for Supervised Institutions* to the extent that they are related to the general meeting, save for the principle specified in § 29 – remuneration for holding the position of a member of the Supervisory Board is awarded by the General Meeting to an independent member. The Principles of Corporate Governance for Supervised Institutions have been introduced to the Rules of Procedure of the Management Board, Rules of Procedure of the Supervisory Board and to the Articles of Association.

#### **ASSESSMENT OF THE APPLICATION OF THE *PRINCIPLES OF CORPORATE GOVERNANCE***

The Bank's structure allows for the achievement of long-term goals of the conducted activity. The Bank acts on the basis of written formal regulations covering the management and the exercise of control, internal reporting systems, the flow and protection of information, as well as document circulation.

The Bank has a transparent organisational structure and clearly defined tasks of its individual organisational units.

The Bank manages compliance risk so as to ensure the conformity of the activities with the applicable laws, internal regulations and market standards.

The Bank's business activity is carried out on the basis of a long-term operations strategy with due consideration for the rules of risk management specified in the Risk-Management Strategy.

The rules of the Management Board's activity have been set out in the *Rules of Procedure of the Management Board of mBank Hipoteczny S.A.*

The Supervisory Board approves the division of competencies between the Management Board Members, which is being adopted by the Management Board, thus ensuring the appropriate distribution of responsibilities for the operating activities, risk-monitoring activities and control activities. The Bank has

defined the rules for limiting the conflict of interest among the Management Board Members and the Bank's employees.

The Supervisory Board acts under the *Rules of Procedure of the Supervisory Board* adopted by the General Meeting.

In 2021, the Bank started the process of amending the Bank's Articles of Association, the Rules of Procedure of the Supervisory Board and the Rules of Procedure of the Management Board. These amendments aimed at, *inter alia*, adapting the said regulations to the provisions of the Code of Commercial Companies (CCC) amended by the Act of 31 March 2020 amending the Act on specific solutions to prevent, counteract and combat COVID-19, other infectious diseases and crisis situations caused by them, as well as some other acts, in particular as regards the introduction of the possibility to participate in meetings of bodies without physical presence, i.e. by means of direct remote communication, introduction of a public vote during sessions of the Supervisory Board, also in the case of elections.

In 2021, measures were taken to adapt the Rules of Procedure of the Supervisory Board and the Rules of Procedure of the Management Board to the requirements of the Recommendation Z of the Polish Financial Supervision Authority (PFSA) concerning the principles of internal governance in banks (effective from 1 January 2022).

Moreover, as part of adapting internal regulations to the requirements of Recommendation Z, work was started on the implementation of the Internal Governance Policy.

The Bank's shares are dematerialised. mBank S.A. is the entity keeping the register of shareholders.

The Bank has implemented a staff policy adequate to the scale of operations and defines the rules of employment.

The Bank applies the "Policy for remunerating employees having a material impact on the risk profile of mBank Hipoteczny S.A.", (hereinafter referred to as the "Remuneration Policy"), which was for the first time adopted during the session of the Supervisory Board in December 2014. Since that time, the Remuneration Policy has been subject to annual review. The Policy applicable in 2020 was approved by Resolution of the Supervisory Board No 5/20 of 3 February 2020 and then amended by the Supervisory Board Resolution No 6/21 of 2 March 2021.

The adopted Remuneration Policy complies with:

- 1/ The EBA (European Banking Authority) guidelines on sound remuneration policies referred to in Article 74(3) and 75(2) of Directive 2013/36/EU and on disclosure in accordance with Article 450 of Regulation (EU) No 575/2013 – EBA/GL/2015/22 of 27 June 2016;
- 2/ The Banking Law of 29 August 1997 implementing Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential

supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

- 3/ Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy as well as the detailed manner of estimating internal capital at banks.
- 4/ PFSA Recommendation Z

The adopted Policy aims at supporting proper and efficient risk management, ensuring that decisions made are not burdened with excessive risk, i.e. risk beyond the Bank's risk appetite accepted by the Supervisory Board, and supporting implementation of the strategy and limiting conflicts of interest.

As regards persons whose professional activities have a material impact on the risk profile of mBank Hipoteczny (the so-called Risk Takers), a separate document approved by the Management Board, the Remuneration Committee and the Supervisory Board of mBank Hipoteczny – "Policy for identification of employees having a material impact on the risk profile of the Bank" (hereinafter referred to as the "Identification Policy") applies, meeting the requirements of:

- 1) Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, hereinafter referred to as the "Regulation";
- 2)
- 3) Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and the internal control system and the remuneration policy in banks.

The identification policy, like the Remuneration Policy, is subject to annual review.

#### **Remuneration Committee at the Supervisory Board**

The Bank has in its structure a Remuneration Committee at the Supervisory Board which was established in 2019. The Committee supports the Supervisory Board in the performance of its statutory duties and tasks arising from legal regulations. The Remuneration Committee is composed of members of the Bank's Supervisory Board. The Committee (as at the end of 2021) was composed as follows:

1. Frank Bock – Chairperson of the Committee
2. Andreas Boeger – Committee Member
3. Marek Lusztyn – Committee Member

Pursuant to the applicable Rules of Procedure of the Remuneration Committee, its main tasks include:

- I) With respect to the Bank:
  - 1) giving opinions on the remuneration policy of the Bank (and proposed changes in this respect)
  - 2) giving opinions on any issues related to remuneration which are subject to a decision or discussion of the Bank's Supervisory Board.
- II) With respect to members of the Bank's Management Board:

- 1) approval and determination of MbO objectives and results for members of the Management Board of the Bank
- 2) presentation of objectives and results to the Supervisory Board.

In 2021, 2 sessions of the remuneration Committee at the Supervisory Board were held.

***Key information on remuneration setting***

Variable remuneration shall consist of a bonus granted for a given financial year to a Management Board Member or other employees. Variable remuneration shall be determined in a transparent and verifiable manner which ensures efficient implementation of the Remuneration Policy. The maximum level of variable components of remuneration of persons covered by the Policy shall not exceed 100% of the amount of the basic remuneration paid to a given employee for a given financial year.

Variable remuneration shall constitute a part of total remuneration (annual basic remuneration and variable remuneration) granted to a Management Board Member or other employees.

It shall be determined taking market practices into account, both in the banking sector and in general on the Polish market, verified on the basis of market salary reports and the remuneration policy of the mBank Group.

A part of variable remuneration is paid in phantom shares. The number of phantom shares to be determined for a Member of the Management Board or other employees for a given financial year as the variable remuneration (both non-deferred and deferred part) shall result from dividing the amount of the variable remuneration, determined in accordance with the principles of the Policy, by the phantom share value at the end of the financial year for which the remuneration is being determined.

The phantom share value is the quotient of the carrying amount of the Bank's shares and the number of ordinary shares, where the carrying amount of the Bank is defined as: total assets less total liabilities of the Bank. The carrying amount of the Bank and the number of ordinary shares are derived from the Bank's financial statements for the financial year for which the variable remuneration is granted, once the financial statements have been approved by the Supervisory Board. The number of phantom shares may take fractional values and shall be rounded up to 4 decimals.

The Bank has in place the Policy on the assessment of the qualifications (suitability) of the members of the supervisory body, management body and persons performing key functions at mBank Hipoteczny S.A. The Suitability Policy adopted at the Bank meets the requirements arising from the Banking Law and Guidelines of the European Banking Authority (EBA) on the assessment of suitability of the management body and persons performing key functions and constitutes the basis for the assessment of the persons covered by it (Suitability Policy). By Resolution No 18 of the Ordinary General Meeting of mBank Hipoteczny S.A. of 26.05.2021, the Bank introduced, for the purposes of assessment of suitability of candidates/Members of

the Management Board and Supervisory Board, assessment forms attached to the Methodology for the assessment of suitability of members of bodies of the entities supervised by the Polish Financial Supervision Authority (Methodology). At the same time, in connection with the appointment of members of the Supervisory Board of the twelfth term, the General Meeting made an initial assessment of individual and collective suitability of the members appointed to the Supervisory Board, i.e.: Mister: Frank Bock, Andreas Boeger, Paweł Graniewski, Michał Popiołek, Mariusz Tokarski, Marek Lusztyn, Mikołaj Tatarkiewicz, Ms Aleksandra Buczkowska, and stated that the members of the Supervisory Board individually and collectively meet the requirements set out in Article 22aa of the Banking Law (Resolution No 19 of the OGM of 26.05.2021). In 2021, the Bank took steps to develop and implement a new Suitability Policy taking into account the principles adopted in the Methodology, EBA Guidelines of 2 July 2021 on the assessment of the suitability of members of the management body and persons performing key functions and the Recommendation Z. In addition, the Bank took steps to implement the Policy of identifying key functions at mBank, appointing and dismissing employees performing these functions and assessing their qualifications (suitability) in accordance with the Recommendation Z. By Resolution of the Supervisory Board No 3/2022 of 10 January 2022, a Nomination Committee was established, comprised of 3 members of the Supervisory Board (Andreas Boeger – Chairperson, Marek Lusztyn and Paweł Graniewski – Members) and acting on the basis of the Rules of Procedure established by the Supervisory Board. Pursuant to the Rules of Procedure, the Committee, *inter alia*, recommends candidates to the Management Board and the Supervisory Board, taking into account the suitability criteria of the Management Board and the Supervisory Board as a whole and as individual members of the Management Board and the Supervisory Board detailed in the Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the Bank's Body at mBank Hipoteczny S.A. (hereinafter referred to as the "Suitability Policy") and taking into account diversity in the composition of the Management Board and the Supervisory Board of the Bank,

The obligation to develop and implement the procedures for anonymous reporting of violations of laws and procedures and ethical standards applicable at the bank follows from Article 9(2a) – (2b) of the *Banking Law*, Article 45 of the *Regulation of the Minister of Development and Finance of 6 March 2017 on the risk management system and the internal control system, the remuneration policy and the detailed manner of estimating internal capital* (hereinafter: *Regulation*) and Article 53 of the *Act of 1 March 2018 on counteracting money laundering and terrorist financing*.

To implement the *aforementioned regulations*, the *Instruction on reporting violations at mBank Hipoteczny S.A.* and in 2018 the BKMS system (IT tool) devised for reporting, including anonymous reporting, of violations of laws and procedures and ethical standards applicable at the Bank were implemented. The

system meets the requirements of a special, independent and autonomous communication channel in line with Article 45(3) of the *Regulation*. Key assumptions to the BKMS system include ensuring anonymity of the reporting person, verification of each report and the possibility to provide feedback to an anonymous e-mail address. The system is administered from the user level by the Compliance Department, which additionally conducts reviews and updates internal rules and procedures regarding violations and periodically reiterates training for employees in this field.

In addition, in accordance with the requirements of the said *Regulation*, the Supervisory Board approved a division of competences according to which the President of the Management Board is responsible for receiving anonymous reports of violations of laws and ethical standards by employees, and authorised the Chairperson of the Supervisory Board to receive reports and decide on the actions regarding reports concerning the members of the Management Board.

The Bank has regulated the rules regarding promotional activities and relationships with customers. In accordance with internal regulations, prior to publication, an advertisement message shall pass an acceptance process, which also involves a legal opinion and an opinion of the Compliance Department.

The Bank has also implemented respective procedures pertaining to informing customers about offered products. This information was presented before the client takes a decision. Due to the withdrawal of credits offered to consumers and entrepreneurs, the procedures mentioned above will apply to a limited extent and, in practice, they will apply to the takeover of debt or debt accession.

As regards the internal control system, the provisions of Recommendation H issued by the Polish Financial Supervision Authority, in accordance with Clause 5 of the Introduction thereof, introduced at the Bank, take precedence over the principles laid down in Chapter 8 of the *Principles of Corporate Governance* "Key systems and internal functions".

The internal control system adopted by the Bank shall include:

- 1) A control function intended to ensure compliance with the mechanisms pertaining, in particular, to the risk management at the Bank. The control function comprises all controls within the processes applicable at the Bank, independent monitoring of compliance with such controls and reporting within that function. The operation of this function is specified in the Internal Control System Rules of Procedure – introduced by Resolution of the Management Board of the Bank No 42/2021 of 27 July 2021 and approved by Resolution of the

Internal controls are an integral part of the Bank's day-to-day operations and comprise:

- a) internal procedures pertaining to the Bank's operations,
- b) reviews of reports by the Bank's Management Board,
- c) reviews conducted by directors of departments and employees on independent job positions,
- d) physical safeguards,
- e) a system of limits and rules for controlling them,
- f) rules for taking credit decisions and a system of authorisations,
- g) principles of verifying transaction details and activities, as well as results of risk management models,
- h) activities aimed at controlling the quality and accuracy of implemented tasks.

The accuracy of operation of the internal controls is checked on an ongoing basis by each employee as part of their functions and periodically – as part of horizontal and vertical testing – by heads of organisational units or their appointees and by employees on independent job positions.

- 2) The Compliance Department – a compliance unit whose task is to identify, assess, control and monitor the risk of non-compliance of the bank operations with the laws, internal regulations and market standards and presentation of reports in this respect.
- 3) Internal Audit Position – an independent internal audit unit whose task is to audit and assess, on an independent and objective basis, the adequacy and effectiveness of the risk management and internal control systems.

### **The Audit Committee of the Supervisory Board**

There is an Audit Committee of the Supervisory Board in place at the Bank. The Audit Committee is a standing committee of the Supervisory Board of the Bank. The members and the chairperson of the Audit Committee shall be appointed by the Bank's Supervisory Board from among of its members. The Audit Committee shall be composed of three members of whom at least one is qualified in the field of accounting or auditing



financial statements. The members of the Audit Committee shall have the knowledge and skills from the area of banking. Two out of three (majority) members of the Audit Committee, including the chairperson, are independent.

The Committee (as at the end of 2021) was composed as follows:

1. Paweł Graniewski – Chairperson
2. Andreas Boeger – Committee Member
3. Mariusz Tokarski – Committee Member

In accordance with the applicable Rules of Procedure of the Audit Committee, its main tasks include:

- 1) presenting a recommendation on the selection of the audit firm to the Supervisory Board,
- 2) recommending approval or rejection of financial statements by the Supervisory Board,
- 3) exercising regular supervision over the internal control system at the Bank,
- 4) recommending that the Supervisory Board approve or reject the changes, proposed by the Bank's Management Board, at the positions: Internal Audit Expert (RT) and the Director of the Compliance Department,
- 5) recommending approval or disapproval by the Supervisory Board of:
  - a) audit plans and the annual report on internal audit activities,
  - b) the annual compliance plan, the Bank's compliance policy and the annual report on compliance risk management at the Bank,
  - c) the annual assessment of the adequacy and efficiency of the internal control system.
- 6) recommending that the Supervisory Board approve or reject the Audit Committee Rules of Procedure or amendments thereto.

In 2021, 4 sessions of the Audit Committee of the Supervisory Board were held.

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