

# Statement of mBank on application of corporate governance principles in 2019

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## 1.1. Application of corporate governance principles

The general corporate governance principles applicable at mBank, i.e. regulations and procedures determining the guidelines regarding the bank's authorities' actions, in particular towards stakeholders, arise from statutory regulations, in particular from the Code of Commercial Companies and Partnerships and the Banking Law Act, the provisions regulating the operation of the capital market and the rules laid down in the following documents: "Best Practice for WSE Listed Companies 2016", "Principles of Corporate Governance for Supervised Institutions" issued by the Polish Financial Supervision Authority on July 22, 2014 and the "Code of Banking Ethics" issued by the Polish Bank Association.

In 2019, we applied the corporate governance principles contained in the "Best Practice for WSE Listed Companies 2016", issued by the Warsaw Stock Exchange by way of Resolution No. 26/1413/2015 of the Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. (the Warsaw Stock Exchange) dated October 13, 2015.

The text of the "Best Practice for WSE Listed Companies 2016" is available on the website of the Warsaw Stock Exchange, in the section dedicated to the corporate governance of listed companies ([www.gpw.pl/best-practice](http://www.gpw.pl/best-practice)).

The "Principles of Corporate Governance for Supervised Institutions" are available on the website of the Polish Financial Supervision Authority ([www.knf.gov.pl/en/MARKET/Regulations\\_and\\_practice/Practice](http://www.knf.gov.pl/en/MARKET/Regulations_and_practice/Practice)).

### Best Practice for WSE Listed Companies 2016

From among the detailed principles of the "Best Practice for WSE Listed Companies 2016", we do not apply principle no. VI.Z.2., which reads as follows: "To tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years".

The principles for granting variable components of remuneration at mBank are compliant with the Regulation of the Minister of Development and Finance of March 6, 2017, on the Risk Management System, the Internal Control System, the Remuneration Policy as well as the Detailed Method for Banks' Internal Capital Assessment (Journal of Laws of 2017, item 637) and EBA's Guidelines on sound remuneration policies (EBA/GL/2015/22) of June 27, 2016, which do not provide for the premise indicated in item VI.Z.2 of the Best Practice.

Moreover, from among all recommendations specified in the "Best Practice for WSE Listed Companies 2016", we do not apply the following recommendations:

- items 2 and 3 of recommendation IV.R.2, which refer to conducting a General Meeting with the use of means of electronic communication. Item 2 concerns ensuring two-way communication in real time during the General Meeting allowing shareholders to speak from a different location. Item 3 is related to exercising the voting right in person or by proxy during the General Meeting.

For many years, we have broadcast General Meetings in real time, however, without the possibility to engage in two-way online communication by allowing shareholders to speak during the General Meeting from a different location. The Bank's By-laws and the Standing Rules of the General Meeting do not provide for the possibility to actively participate in General Meetings with the use of means of electronic communication. Moreover, in the opinion of the Management Board of mBank, the organisation of General Meetings with the use of means of electronic communication involves additional legal, organisational and technical risks.

- recommendation VI.R.3. concerning the remuneration committee. The recommendation stipulates, among others, that it is required that at least the majority of the committee members be independent. At mBank, the Remuneration Committee of the Supervisory Board as at the end of 2019 was composed of three members, including one independent member. Two members do not meet the criterion of independence. Despite changes in the composition of the Remuneration Committee, independent members did not represent a majority at any point throughout the year.

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## **Principles of Corporate Governance for Supervised Institutions**

The "Principles of Corporate Governance for Supervised Institutions" cover relations with shareholders and clients, issues relating to the organisational structure, rules for ensuring an effective and efficient internal control system, as well as the risks of business activities.

We have adopted the "Principles of Corporate Governance for Supervised Institutions", excluding the principles listed in Article 8 (4) and in Article 16 (1).

The principle in Article 8 (4), which reads as follows: "A supervised institution, when justified by the number of shareholders, should strive for facilitating the participation of all shareholders in the meeting of the General Meeting of the supervised institution, among others, through ensuring the possibility of electronic active participation in the meetings of the General Meeting", is similar to recommendation IV.R.2 of the "Best Practice for WSE Listed Companies 2016". As a large part of our shareholders are represented at General Meetings, with a view to mitigating the risk inherent in active participation in General Meetings with the use of means of electronic communication, we have decided that departure from the rule defined in Article 8 (4) is justified.

Likewise, we do not apply the rule defined in Article 16 (1), which reads as follows: "It is proper that meetings of a management body shall be held in Polish. In case of need, necessary assistance of an interpreter should be ensured."

The departure derives from the fact that all Members of the Management Board speak fluent English. Communication without an interpreter is more effective as discussions and decisions can be made without the participation of a third party (interpreter). In some circumstances, the participation of an interpreter could make discussions at Management Board meetings more difficult or prolonged due to the complex nature of issues under discussion as well as the specialised language. Furthermore, given that Management Board meetings review information that constitutes the company's secret, it is legitimate to limit to the bare minimum the participation of non-members of the Management Board in its meetings. At the same time, most of the Management Board Members speak Polish, which means that the bank can be represented whenever participation of Management Board Members is required including communication in Polish without an interpreter. Minutes of Management Board meetings, as well as resolutions of mBank's Management Board, are prepared in two language versions, ensuring compliance with the provisions of Article 16 (2) of the "Principles of Corporate Governance for Supervised Institutions".

The stand of shareholders as regards the "Principles of Corporate Governance for Supervised Institutions" was presented in resolution no. 31 of the 28th Annual General Meeting of mBank S.A. of March 30, 2015.

In the above resolution, the shareholders undertook:

- to participate in the performance of the statutory objectives of mBank, ensuring security of its operations and with its interest in mind;
- not to violate the powers of other statutory bodies of mBank;
- to immediately solve any potential conflicts between shareholders to prevent infringing the interest of mBank and its clients;
- not to make decisions resulting in transferring assets from mBank to other entities, and in acquisition or alienation of or in conclusion of other transactions leading to mBank disposing of its assets under conditions other than market conditions or posing a threat to the security or interest of mBank; the individual rights will be granted to the given shareholder or shareholders when justified on the grounds of achieving significant objectives of mBank and not causing hindrance to proper functioning of the bodies of mBank or discrimination against other shareholders and reflected in the By-Laws of mBank;
- to provide, if needed, additional capital or grant financial support to the bank to the extent to which it is possible and compliant with authorisations, whereas it will only take place after the analysis of the entirety of reasons which led to such a necessity; the shareholders will take into consideration the possibility of providing support from the point of view of their financial situation, provisions of law and supervisory regulations the shareholders are bound to respect and considering the best interest of mBank and its clients;

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- to make decisions with regard to dividend payment, depending on the need for maintaining an appropriate level of equity and on the achievement of strategic objectives of mBank and to take into consideration general and individual recommendations issued by the supervisory authorities; and
  - to implement the recommendations of the PFSA regarding the election of Members of the Supervisory Board of the bank.

### **Code of Banking Ethics**

Apart from the corporate governance principles, we have for many years complied with the best banking industry practices, developed by the Polish Bank Association (ZBP). The currently applicable version of the "Code of Banking Ethics" was approved at the 25<sup>th</sup> General Meeting of the Polish Bank Association held on April 18, 2013. The "Code of Banking Ethics" is a set of principles referring to banks, their employees and persons acting as intermediaries in banking activities. The "Code of Banking Ethics" includes two parts: the "Code of Best Banking Practice" and the "Code of Employee Ethics". The "Code of Banking Ethics" is available on the website of the Polish Bank Association <http://zbp.pl/dla-bankow/zespoly-rady-i-komitety/dzialania-w-obszarze-legislacyjno-prawnym/komisja-etyki-bankowej> .

### **Model of values and behaviours of mBank employees and the rules on conduct towards business partners**

Our employees apply the Code of Conduct, which establishes the standards applicable in interactions between the bank's employees and the bank's business partners. This is meant to contribute to mutual trust. The guidelines related to behaviour include, among others, being guided by mBank's values, creating a sustainable corporate culture, corporate social responsibility, pursuing a responsible credit policy, treating relationships with clients in a responsible way, honesty in business relationships, applying established standards in relationships with clients and in internal relationships, avoiding conflicts of interest, responsible use of social media and simplifying communication.

It is also worth mentioning that we have defined behaviours which are most important from the perspective of the organisation and which facilitate achieving individual and team results and contribute to customer satisfaction. mBank's model of values and behaviours, which sets mBank's work standard, is based on the following organisational values: "client-centricity", "looking ahead", "simplifying", "commitment" and "professionalism".

### **Information policy**

We pursue a transparent, open, and reliable information policy, which builds mutual trust and loyalty of investors. When implementing the information policy, we comply with requirements arising from information confidentiality and security laws, which we must abide by as a public company and a supervised institution. Our high ratings and awards for widely understood corporate governance and investor relations bespeak transparency and effectiveness of our information policy. In May 2019, we again won a distinction of the Institute of Accountancy and Taxes and *Gazeta Gieldy Parkiet* daily in the category "Transparent WIG20 Company of the Year." In June 2019, we won the Złota Strona Emitenta (Issuer's Golden Website) contest organised by the Polish Association of Listed Companies in the category "Leader of Online Communication" for large companies (listed companies included in WIG20 and mWIG40).

The main means we apply in our information policy with regard to investor relations include:

- current and periodic reports;
- meetings, tele- and video-conferences of representatives of the Management Board and the Analysis and Investor Relations Department with investors and analysts, both in Poland and abroad;
- quarterly presentations of financial results for investors and analysts provided directly and through interactive webcasts and teleconferences;
- an ongoing contact by phone or e-mail with analysts and investors, including sending Newsletters on a monthly basis and, if necessary, other informational materials;
- participation of our representatives in domestic and foreign investor conferences and road-shows in selected European countries and in the United States of America;

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- the company's website with a comprehensive investor relations section where we published information on, among others, our shareholders, the composition of the Management Board and Supervisory Board, General Meetings (including video recordings of General Meetings), ratings, the Euro Medium Term Note Programme, price of mBank's shares on the WSE, analysts' recommendations, the consensus on mBank Group's expected performance and the target share price. On our website, there are annual, periodical and current reports and presentations, including presentations of the results of the Group for equity analysts and investors as well as presentations for investors interested in the bank's debt securities, online versions of integrated annual reports enabling interactive access to the audited financial data, and an Investor's Calendar.

Open communication with shareholders during the General Meetings manifests itself, among others, in the following aspects:

- providing stakeholders with answers and explanations by the members of the bank's governing bodies;
- broadcasting the General Meeting online;
- participation of media representatives in the General Meeting.

### **1.2. Internal control and risk management systems with regard to the process of preparing financial statements of mBank**

mBank is equipped with an internal control system which supports bank management by ensuring efficiency and effectiveness of the bank's operations, reliability of financial reporting, compliance with risk management rules of the bank, as well as compliance of the bank's operation with the law, internal regulations and market standards.

The internal control system encompasses the following:

- control function whose task is to ensure observance of control mechanisms concerning in particular risk management at the bank and which covers positions, groups of people and organisational units responsible for performance of tasks assigned to the function;
- compliance unit (Compliance Department), whose task is to identify, assess, control and monitor the risk of non-compliance of the bank's activities with the law, internal regulations and market standards and report in this respect;
- independent internal audit unit (Internal Audit Department), whose task is to examine and assess, impartially and objectively, the adequacy and effectiveness of the risk management system and the internal control system, excluding the internal audit unit.

The control function is a part of the internal control system comprised of all control mechanisms in processes running in the bank, independent monitoring of the application of such control mechanisms and reporting on the issue.

The control function is based on the following principles:

- guaranteeing access to important, real, up-to-date and complete information by decision makers;
- organising and maintaining adequate IT systems that ensure proper storage and processing of data, facilitate the evaluation and monitoring of different risk categories and generation of information useful in decision-making process;
- determining the information circulation rules in order to ensure that relevant information is submitted to competent persons.

The process of preparing financial data for reporting is automated and based on the accounting data of the bank. Preparation of data in source systems is subject to formalised operational and acceptance procedures. Creating a collection of accounting balances on the basis of the system of general ledgers of the bank takes place within a process covering respective internal mechanisms and controls. The mechanisms consist, among others, in verification and reconciliation of reporting data with books of accounts, sub-ledger accounts, and other documents on the basis of which financial statements are drawn up, as well as with

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the applicable legal provisions pertaining to accounting principles and the preparation of financial statements. Manual adjustments are subject to special controls. We continuously monitor changes in the law and external regulations related to the preparation of financial statements, update internal regulations on an ongoing basis and adjust our IT systems where necessary.

We have implemented mechanisms which effectively ensure the security of IT systems in the process of monitoring the operational risk which occurs in the preparation of financial statements in the bank. We have in place a business continuity plan which covers also the IT systems used in the process of preparing financial statements.

Financial statements of mBank and the Group are prepared by the Financial Reporting Department. We draw up consolidated financial statements based on data submitted by Group subsidiaries. The Financial Reporting Department monitors the reporting packages prepared by the subsidiaries in terms of their correctness, completeness and coherence of data.

The Accounting Department controls the coherence and completeness of the bank's books of accounts and manages the model chart of accounts. Both Departments report to the Vice-President of the Management Board, Chief Financial Officer.

Financial statements are submitted to the Management Board of mBank for verification. The Audit Committee of the Supervisory Board receives quarterly financial statements before they are published. After consultations with the bank's external auditor and the Members of the Management Board of the bank, the Audit Committee recommends whether the Supervisory Board should approve or reject annual financial statements.

The annual and semi-annual financial statements of mBank are respectively subject to an independent audit or review by a statutory auditor. The selection of the statutory auditor of the bank requires a resolution of the General Meeting. The Audit Committee of the Supervisory Board issues an opinion on the selection of the statutory auditor. In the subsidiaries, supervisory boards decide on the selection of the statutory auditor.

The procedures of co-operation of mBank and the external auditor ensure that all the important issues related to the recognition of economic events in the books and financial statements are being consulted on an on-going basis.

The aspiration to ensure the highest standards of financial statements is reflected in the high quality of reporting. In "The Best Annual Report 2018" contest organised by the Institute of Accountancy and Taxes (IRiP), the results of which were announced in October 2019, we won the title "The Best of the Best" for the best annual report in the category of financial institutions for the seventh time in a row. Moreover, we also won a distinction for the best statement on application of corporate governance principles, which was awarded for the first time in 2019.

### **Information on the entity authorised to audit financial statements**

We abide by the principle regarding the rotation of statutory auditors. On April 12, 2018, the 31st Annual General Meeting of mBank selected Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa as the auditor to review the financial statements of mBank S.A. and the consolidated financial statements of mBank S.A. Group for the years 2018-2019. Entity authorized to audit financial statements for 2016 and 2017 with which mBank S.A. concluded a contract, was PricewaterhouseCoopers Sp. z o.o.

The agreement on auditing the financial statements of mBank S.A. and the consolidated financial statements of mBank S.A. Group was concluded on June 19, 2018.

The total gross amount of remuneration paid to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa related to the audit and review of stand-alone financial statements and consolidated financial statements of mBank S.A. was PLN 2,785 thousand in 2019.

The total amount of remaining gross remuneration paid to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa in respect of other services for mBank S.A. was PLN 754 thousand in 2019.

## Auditor's services other than the audit of yearly financial statements

The list of services other than the audit of yearly financial statements, rendered to mBank S.A. Group by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. in 2019, is presented below.

1. Review of the standalone interim financial statements of mBank S.A. and the consolidated interim financial statements of mBank S.A. Group as at and for the 6-month period ended June 30, 2019.
2. Review of the consolidation package of mBank S.A. for Commerzbank AG as at and for the 3-month period ended March 31, 2019, 6-month period ended June 30, 2019 and 9-month period ended September 30, 2019.
3. Audit of the consolidation package of mBank S.A. for Commerzbank AG as at and for the year ended December 31, 2019.
4. Verification of the disclosure document regarding the capital adequacy and variable components of remuneration of mBank S.A. Group as at June 30, 2019 and December 31, 2019.
5. Assessment of compliance with the requirements for safekeeping assets of mBank S.A. clients for 2019.
6. Services related to the verification of the prospectus for mBank S.A.
7. Services related to the verification of the prospectus for mBank Hipoteczny S.A.
8. Review of the interim financial statements of 2 subsidiaries as at and for the 6-month period ended June 30, 2019.
9. Audit of the consolidation package of 1 subsidiary for mBank S.A. as at and for the year ended December 31, 2019.
10. Specific scope audit of the consolidation package of 1 subsidiary and review of consolidation packages of 2 subsidiaries for mBank S.A. as at and for the year ended December 31, 2019.
11. Review of the consolidation packages of 3 subsidiaries for mBank S.A. as at and for the 6-month period ended June 30, 2019.
12. Specific scope audit of the consolidation package of 1 subsidiary and review of consolidation packages of 2 subsidiaries for Commerzbank AG as at and for the year ended December 31, 2019.

### 1.3. Significant blocks of shares

mBank's share capital amounts to PLN 169,401,468 and is divided into 42,350,367 shares with a nominal value of PLN 4 each, including 42,338,367 ordinary bearer shares and 12,000 ordinary registered shares. Each share carries the right to one vote during the Annual General Meeting of the bank.

In 2019, 13,385 ordinary bearer shares were admitted to trading and mBank's registered share capital grew by PLN 53,540.

Commerzbank AG is our majority shareholder.

As at December 31, 2019, Commerzbank held directly 29,352,897 shares of mBank, which accounted for 69.31% of the share capital and votes at the General Meeting.

Shares accounting for 30.69% of mBank shares were in free float. These shares are held by institutional investors, in particular Polish pension funds and Polish and foreign investment funds, as well as individual investors. Nationale-Nederlanden Otwarty Fundusz Emerytalny holds the largest stake.

In accordance with the lists of shares of WSE-listed companies held in funds' portfolios as at the end of 2019, published by open-end pension funds, Nationale-Nederlanden Otwarty Fundusz Emerytalny held 4.7% of mBank shares. Furthermore, AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK held 4.1% of mBank shares, and Otwarty Fundusz Emerytalny PZU – 4.0%.

Shareholder	Number of shares as at the end of 2019	% share in the number of shares and votes
1. Commerzbank AG	29,352,897	69.31%

Pursuant to the By-laws of mBank, each share gives the right to one vote at the General Meeting. There are no preferred shares. The control rights of Commerzbank AG as the parent entity of mBank are a result of

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the number of shares held, their percentage share in the equity, and the number of votes at the General Meeting of mBank.

The By-laws of mBank do not impose any limitations on the exercise of the voting right. There are no provisions which would separate the equity rights attached to securities from the holding of securities. Furthermore, there are no limitations on the transfer of the property right to securities issued by the bank.

#### **Information on the majority shareholder**

Our majority shareholder, Commerzbank AG, is a leading German bank with a history dating back to 1870. It provides services to individuals and corporate customers.

Commerzbank holds branches and offices in almost 50 countries. With approximately 800 branches going forward, Commerzbank has one of the densest branch networks in Germany. Commerzbank serves more than 11 million private and small business customers nationwide and over 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. Commerzbank transacts approximately 30% of Germany's foreign trade and is the market leader in German corporate banking. The bank offers its sector expertise to its corporate clients in Germany and abroad and is a leading provider of capital market products.

Commerzbank Group is composed of two business segments: Private and Small Business Customers (Privat- und Unternehmerkunden) and Corporate Clients (Firmenkunden). In 2019, Commerzbank generated gross revenues of EUR 8.6 billion, while the headcount amounted to approximately 48,500.

The Commerzbank 5.0 Strategy adopted by the Board of Managing Directors and Supervisory Board of Commerzbank in September 2019 provides for the disposal of its majority stake in mBank.

#### **1.4. Principles of appointing and dismissing Management Board Members**

Pursuant to the By-laws of mBank, the Management Board is composed of at least three Members appointed for a joint term of five years.

At least half of the Members of the Management Board, including the President of the Management Board, must hold Polish citizenship, be habitually resident in Poland, speak Polish, and have experience on the Polish market which can be used while managing the bank.

The President of the Management Board, the Vice-Presidents of the Management Board and other Members of the Management Board are appointed and dismissed by the Supervisory Board, which acts pursuant to the provisions of the Banking Law and considers whether they have the relevant qualifications for the assigned functions. The Polish Financial Supervision Authority (PFSA) approves two Members of the Management Board of the bank: the President of the Management Board and the Chief Risk Officer (Board Member responsible for developing and implementing the bank's credit policy and risk management).

In accordance with the Code of Commercial Partnerships and Companies, a Member of the Management Board may also be dismissed or suspended by the General Meeting.

The mandate of a Member of the Management Board expires at the latest on the day of the General Meeting that approves the financial statements for the last full financial year of the term of that Management Board Member. The mandate of a Member of the Management Board also expires if the Member dies, resigns from his or her position, or is dismissed. The mandate of a Member of the Management Board appointed before the end of the term expires on the expiration date of mandates of the other Members of the Management Board.

#### **1.5. Principles of amendments to the Company's By-Laws**

Amendments to the By-Laws of mBank require adoption of a resolution by the General Meeting of mBank and registration of the adopted amendment in the National Court Register. Before the General Meeting of mBank is presented with a draft resolution concerning amendment to the By-Laws, the Management Board of mBank adopts a resolution on the proposed amendment by approving the draft resolution of the General Meeting. The draft is then presented to the Supervisory Board for approval.

Under Article 34 (2) of the Banking Law Act of 29 August 1997, an amendment to the bank's By-laws requires the authorisation of the Polish Financial Supervision Authority.

#### **Amendments to mBank's By-laws in 2019**

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The 32nd Annual General Meeting of mBank amended mBank's By-laws. The amendments were then registered by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register.

The amendments made to mBank's By-laws in 2019 were as follows:

- the Supervisory Board was assigned the following new responsibilities:
  - exercising supervision over the implementation and operation of an adequate and effective risk management system and internal control system in the bank, and
  - approving changes in the position of the head of the Internal Audit Department and the head of the Compliance Department;
- we specified the responsibilities of the Executive and Nomination Committee, including the following new responsibilities:
  - defining the scope of duties for candidates for the Management Board and the Supervisory Board of the bank and requirements with regard to knowledge and skills, as well as assessing the expected time commitment necessary to perform the functions,
  - performing periodic assessment of the structure, size, composition and effectiveness of the Management Board and its activities and recommending changes in this regard to the Supervisory Board, as well as performing periodic assessment of the knowledge, skills and experience of the Management Board as a whole and its individual members and informing the Management Board about the results of the assessment;
- we made changes to the wording of the task of the Audit Committee consisting in the monitoring of the financial reporting process, effectiveness of the internal control systems and risk management;
- we made changes to two provisions pertaining to the internal control system; and
- we updated the amount of mBank's share capital.

## **1.6. General Meeting and shareholder rights**

### **Meeting procedures and powers of the General Meeting**

The General Meeting is convened pursuant to the provisions of the Code of Commercial Partnerships and Companies, mBank's By-laws, and the Standing Rules of the General Meeting. Both the By-laws and the Standing Rules of the General Meeting are available on mBank's website <https://www.mbank.pl/o-nas/lad-korporacyjny/>.

The General Meeting convened by the Management Board under the ordinary procedure is held once a year, no later than in June. The Supervisory Board may convene an Annual General Meeting if the Management Board does not convene it within the time limit set out in the By-laws and an Extraordinary General Meeting if the Supervisory Board considers it necessary. In addition, under specific circumstances, the shareholders have the right to convene a General Meeting or to request for a General Meeting to be convened.

The shareholders may participate in the General Meeting and cast their votes either in person or by proxies. One proxy may represent more than one shareholder.

Subject to the cases defined in the Code of Commercial Partnerships and Companies, the General Meeting is valid regardless of the number of shares represented at the General Meeting.

All matters submitted to the General Meeting are previously submitted to the Supervisory Board for consideration.

Subject to specific exceptions, resolutions of the General Meeting are passed in an open ballot by a simple majority of votes, unless the Code of Commercial Partnerships and Companies or mBank's By-laws impose a stricter requirement for the passing of resolutions on specific issues. A secret ballot is required in the case of elections and motions to dismiss members of the bank's authorities or liquidators, motions to call members of the bank's authorities or liquidators to account, and motions concerning personal issues. In addition, a secret ballot is required if requested by at least one shareholder present or represented at the General Meeting.

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Voting takes place with the use of a computer system, which also counts the votes. The By-laws of mBank and Standing Rules of the General Meeting do not provide for the possibility of voting by mail or with the use of electronic means of communication.

The following matters require a resolution of the General Meeting (in addition to other matters set out in the Code of Commercial Partnerships and Companies):

- examination and approval of the report of the Management Board on the bank's operations and financial statements for the past financial year;
- adoption of resolutions on the distribution of profits or coverage of losses;
- vote of discharge of duties for members of the bank's authorities;
- election and dismissal of Members of the Supervisory Board;
- amendment to the By-laws;
- increase or reduction of the bank's share capital;
- adoption of resolutions concerning the redemption of shares, which set the rules of acquiring shares by the bank, in particular the amounts allotted to purchasing shares for redemption and funding sources and resolutions on redemption of shares, and in particular setting the policy of share redemption not regulated in the By-laws;
- creation and winding up of special purpose funds;
- issue of convertible bonds or preferred bonds;
- establishment of the principles of remunerating the Members of the Supervisory Board;
- liquidation of the bank or its merger with another bank;
- appointment of liquidators;
- matters submitted by the Supervisory Board;
- matters submitted by the shareholders in accordance with the By-laws;
- election of the entity authorised to audit financial statements as a statutory auditor of the bank.

The General Meetings of our bank take place in the bank's headquarters in Warsaw and are broadcast on-line. The General Meetings may be attended by the representatives of the media.

### **Shareholders' rights**

The shareholders have the right to participate in the profit reported in the audited financial statements and allocated by the General Meeting to be paid to the shareholders.

The shareholders representing at least half of the share capital or at least half of the total number of votes in the company may convene an Extraordinary General Meeting. The shareholders appoint the chairperson of this meeting. The shareholder(s) representing at least one-twentieth of the share capital may request that the Management Board convene an Extraordinary General Meeting and that specific items be put on the agenda for this meeting. A request for convening an Extraordinary General Meeting submitted in writing or electronically should contain proposals of:

- a) the General Meeting agenda,
- b) the draft resolutions along with rationale for those resolutions.

If the General Meeting is convened by parties other than the Management Board, the Management Board is obliged to take necessary actions to convey the General Meeting.

Only persons who are shareholders of the bank sixteen days before the date of the General Meeting have the right to participate in the General Meeting. The shareholder(s) of the bank representing at least one-twentieth of the share capital may request that specific items be put on the agenda for the Annual General Meeting. The request should be submitted to the Management Board of the bank no later than twenty-one days prior to the date of the Annual General Meeting.

The shareholders may participate in the General Meeting and cast their votes either in person or by proxies.

A shareholder has the right to:

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- vote, propose motions and raise objections;
  - justify their position briefly;
  - stand for election of the Chairperson of the General Meeting and propose a candidate for the Chairperson of the General Meeting to be noted in the minutes;
  - take the floor in the course of the General Meeting and make a reply;
  - submit draft resolutions concerning the items put on the agenda;
  - propose amendments and additions to draft resolutions being on the agenda for the General Meeting before the discussion on the item covering the draft resolution concerned by the proposal is closed;
  - propose formal motions relating to the proceedings and the voting procedure;
  - propose candidates for the bank's Supervisory Board in writing to the Chairperson of the General Meeting or orally to the minutes;
  - review the book of minutes and request copies of resolutions authenticated by the Management Board;
  - file a statement of claim for repealing a resolution of the General Meeting where the shareholder voted against the resolution of the General Meeting and after its adoption requested that his/her objection be recorded in the minutes or the shareholder was prevented from participating in the General Meeting without a sound reason, or the shareholder was absent from the General Meeting in the event of defective convening of the General Meeting or adoption of a resolution on a matter not included in the agenda;
  - file a statement of claim against the company for declaring a resolution of the General Meeting adopted in breach of the law invalid.

The Management Board is obliged to provide the shareholder, at the shareholder's request, with information concerning the company if this is justified by the assessment of an issue on the agenda. The Management Board should refuse information if:

- this could damage the company or its associated company or subsidiary, in particular due to disclosure of technical, trade or organisational secret of the company;
- this could expose a Member of the Management Board to criminal, civil or administrative liability.

In justified cases, the Management Board may provide information in writing no later than two weeks after the General Meeting is adjourned.

### **1.7. Composition, powers and procedures of the Management Board and the Supervisory Board**

#### **Composition of the Management Board**

The Management Board is composed of at least three members appointed for a joint term of 5 years. At least half of the Management Board Members, including the President, must be Polish citizens, have permanent residence in Poland, speak Polish and have experience in the Polish market necessary to manage mBank. The Members of the Management Board manage selected areas of the bank's operation within the scope determined by the President of the Management Board. The division of powers of the Members of the Management Board has been described in detail in the Management Board's resolutions.

On April 12, 2018, mBank's Supervisory Board appointed the following Members of the Management Board of mBank S.A. for a joint term of five years:

1. Cezary Stypułkowski – President of the Management Board, Chief Executive Officer
2. Frank Bock - Vice-President of the Management Board, Head of Financial Markets
3. Andreas Böger – Vice-President of the Management Board, Chief Financial Officer
4. Krzysztof Dąbrowski - Vice-President of the Management Board, Head of Operations and Information Technology
5. Lidia Jabłonowska-Luba – Vice-President of the Management Board, Chief Risk Officer

6. Cezary Kocik – Vice-President of the Management Board, Head of Retail Banking

7. Adam Pers - Vice-President of the Management Board, Head of Corporate and Investment Banking.

Since its appointment, the composition of the Management Board has not changed.

Detailed information on mBank Management Board Members is presented below:

#### **Cezary Stypułkowski - President of the Management Board, Chief Executive Officer**



Cezary Stypułkowski holds a PhD in law from the University of Warsaw. In second half of 1980s, he studied at Columbia University Business School in New York as a participant of the Fulbright Program. Starting in 1991, he chaired the Management Board of Bank Handlowy S.A. (currently Citibank Group) for nearly thirteen years. In 2003, he was appointed the President of the Management Board of PZU Group and held this function for three years. From 2006 to 2010, he worked for J.P Morgan in London, from 2007 as the Managing Director of J.P. Morgan Investment Bank in Central and Eastern Europe. Cezary Stypułkowski was also a member of the International Advisory Board for Deutsche Bank Management Board, INSEAD International Advisory Board and the Geneva Association. Since 2012, co-chair of the Emerging Markets Advisory Council of the Institute of International Finance in Washington (IFF).

Mr Stypułkowski was appointed the President of the Management Board of mBank S.A. on August 2, 2010. He has been acting as the President of the Management Board of the bank as of October 1, 2010. The Polish Financial Supervision Authority approved his appointment on October 27, 2010.

#### **Frank Bock - Vice-President of the Management Board, Head of Financial Markets**



Mr Bock graduated from the Technical University in Karlsruhe (Germany) with specialisation in financial engineering and IT.

During his professional career, Frank Bock gained considerable experience in the scope of risk and treasury management in numerous institutions in Germany, the USA (New York) and Great Britain (London). Starting from the beginning of 2009, Frank Bock was the Managing Director for Treasury at Commerzbank AG. His duties included asset and liability management, market risk management and liquidity management at Commerzbank in Central and Eastern Europe, as well as functional support in strategic subsidiaries of Commerzbank: Comdirect, Commerz Real and mBank. Previously, as the Asset and Liability Management Director in Group Capital and Treasury Management of Dresdner Bank AG in Frankfurt, he was responsible for the management of market risk and liquidity portfolio. Prior to joining Dresdner Bank, Mr Bock worked for WestLB AG in Düsseldorf as Credit Treasury Head in Group Treasury and was a senior manager for risk management.

Vice-President of the Management Board of mBank S.A., Head of Financial Markets since May 1, 2017.

#### **Andreas Böger - Vice-President of the Management Board, Chief Financial Officer**



Mr Böger studied in Frankfurt and San Diego, graduated from the Frankfurt School of Finance & Management and holds the CFA certificate.

He started his professional career in HypoVereinsbank in Munich in 1994, where he headed the team responsible for assets and liability management and capital advisory. Since 2003, Andreas Böger worked in Deutsche Bank in Frankfurt.

In 2007-2013, he was a managing director of Global Capital Markets and Capital Solutions Europe & CEEMEA at Deutsche Bank in London. Mr Andreas Böger joined Commerzbank in 2013. Prior to taking up the position at mBank, he managed the corporate finance division within Commerzbank's Group Development and Strategy.

Vice-President of the Management Board of mBank S.A., Chief Financial Officer since July 1, 2017.

**Krzysztof Dąbrowski - Vice-President of the Management Board, Head of Operations and Information Technology**



Mr Dąbrowski graduated from Warsaw University of Technology, Faculty of Electronics and Information Technology. In 2011, he completed the Executive MBA programme at the University of Warsaw and the University of Illinois.

In 1995-2003, he worked in the Internet and telecommunications industry for Polska Online and TDC Internet, where he was responsible for the development of hosting systems and services. In 2004-2011, as the head of the Software Development Department, he co-created the Polish service centre of F. Hoffman-La Roche. In the following years, as the CTO of Allegro Group, Krzysztof Dąbrowski supervised one of the biggest agile transformations in the region. Since 2014, he performed the function of the managing director for IT and technology at mBank.

Vice-President of the Management Board of mBank S.A., Head of Operations and IT since April 1, 2017.

**Lidia Jabłonowska-Luba - Vice-President of the Management Board, Chief Risk Officer**



Lidia Jabłonowska-Luba graduated from the Mathematics Institute of the University of Gdańsk. From 1994 to 2001, Ms Jabłonowska-Luba was Vice-President of Schroder Salomon Smith Barney Poland, where she advised financial institutions on M&A and public equity transactions. In 2002, Lidia Jabłonowska-Luba joined Citigroup in Poland, first as the Head of Financial Institutions & Public Sector Division and since November 2003 as the Member of the Management Board in charge of finance and

operational risk management, capital management and implementation of the New Capital Accord. From 2008 to 2010, she served as the Vice-President of the Management Board of Kredyt Bank acting as Chief Finance and Risk Officer. She was also the Advisor to the CEO of Warta S.A. and TUnŻ Warta S.A. From 2010 to 2012, Lidia Jabłonowska-Luba was the Senior General Manager at KBC Group in Brussels, where she was responsible for managing all risk types in the group, including model development and valuation, risk policies and procedures, risk support for business decisions, supervision and reporting, ICAAP and ORSA processes, capital adequacy policy and technological support for risk management. Additionally, Lidia Jabłonowska-Luba held the position of the Vice-Chairwoman of the Group Risk Management Committee and also served as a member of the Group Risk and Capital Oversight Committee and ALCO at KBC Group.

Vice-President of the Management Board of mBank S.A., Chief Risk Officer since April 12, 2013.

**Cezary Kocik - Vice-President of the Management Board, Head of Retail Banking**



Mr Kocik graduated from the University of Łódź with a degree in Banking and Finance. In 2015, he completed the Advanced Management Program (AMP 189) at Harvard Business School. Holder of a securities broker license. From 1994 to 1996, Cezary Kocik was employed with the Brokerage House of Bank PBG as a securities broker. Starting in 1996, he worked for Bank PBG in the investment banking, debt collection and restructuring divisions. In 1999, Mr Kocik was employed with the debt

collection and loan restructuring department of Bank Pekao S.A. Since 2000 he was director of a Pekao Branch in Łódź.

He has been shaping mBank's retail banking since 2004: first in the retail credit risk area, then in the sales and business processes area, contributing to successful implementation of CRM system and substantially improving the effectiveness of key sales processes in direct channels.

Vice-President of the Management Board of mBank S.A., Head of Retail Banking since April 1, 2012.

## Adam Pers – Vice-President of the Management Board, Head of Corporate and Investment Banking



Adam Pers graduated from the Faculty of Economics of the Academy of Economics in Poznań. In 2008, he completed an MBA programme organised by SGH Warsaw School of Economics. He gained expertise in the field of banking both at university and in three institutions operating on the Polish market. He commenced his professional career as an intern in Wielkopolski Bank Kredytowy S.A., then he worked in Raiffeisen Bank Polska S.A. Group for many years, at first in back office, then in corporate banking and finally in the financial markets area. He was responsible for strategic projects concerning the reshaping of the dealing room and for one of the pillars of the bank's strategy and during the financial crisis, as the operational committee member, he was responsible for the bank's liquidity. In RBI Group, he was awarded the TOP Performer and Leader of the Year title. He joined BRE Bank/mBank Group in 2012, where at first he was responsible for restructuring in the area of the financial markets sales. Then, as a managing director he also supervised the integration of the area of cooperation with financial institutions and finally, the integration with the trading area.

Vice-President of the Management Board of mBank S.A., Head of Corporate and Investment Banking since October 26, 2017.

### **Powers and procedures of the Management Board**

The Members of the Management Board are jointly liable for the overall operations of the bank. They work collegially and inform each other about the most important matters concerning the bank for which particular Members of the Management Board are responsible. The Management Board may appoint standing committees or teams to perform specific functions or to co-ordinate the work of organisational units of the bank or to perform specific tasks.

The following committees led by Members of the Management Board operate at mBank:

- Resource Management Committee (chairperson: Andreas Böger)
- Capital Management Committee (chairperson: Andreas Böger)
- Data Quality and IT Systems Development Committee (chairperson: Andreas Böger)
- Assets and Liabilities Management Committee of mBank Group (chairperson: Frank Bock)
- Balance Sheet Management Committee (chairperson: Frank Bock)
- Foreign Branch Supervision Committee of mBank S.A. (chairperson: Cezary Kocik)
- Credit Committee of mBank Group (chairperson: Lidia Jabłonowska-Luba)
- Retail Banking Risk Committee (chairperson: Lidia Jabłonowska-Luba)
- Corporate and Investment Banking Risk Committee (chairperson: Lidia Jabłonowska-Luba)
- Financial Markets Risk Committee (chairperson: Lidia Jabłonowska-Luba)
- Model Risk Committee (chairperson: Lidia Jabłonowska-Luba)
- Investment Banking Committee (chairperson: Lidia Jabłonowska-Luba)
- IT Architecture Committee of mBank Group (chairperson: Krzysztof Dąbrowski).

The Management Board manages the bank's business, represents the bank and defines the guidelines for the bank's operations, especially for the areas subject to risks, including the credit policy, the investment policy, the bank's assets and liabilities management policy, and the guarantee policy. The Management Board presents to the Supervisory Board on a regular basis comprehensive information on all significant aspects of the bank's operations and related risks as well as risk management methods.

The Management Board operates pursuant to its Rules approved by the Supervisory Board. The Rules determine among others the issues which require consideration of the Management Board as a collegial body and adoption of a resolution of the Management Board.

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All resolutions are adopted by a majority of votes of the Management Board Members present at the meeting, and in the case of an equal number of opposing votes, the President of the Management Board has the casting vote.

Rules and levels of remuneration of Members of the Management Board are determined by the Remuneration Committee of the Supervisory Board. The rules of the incentive programme for the Management Board as well as the principles of allocating bonuses to Management Board Members are defined in Resolutions of the Supervisory Board.

The "Remuneration Policy for Employees Having a Material Impact on the Risk Profile of mBank S.A." ("Risk Takers Remuneration Policy") adopted in 2018 specifies remuneration rules for persons identified as employees having a material impact on the risk profile of the Bank („Risk Takers") by determining fixed and variable remuneration components.

Total remuneration of the Members of the Management Board includes a fixed and a variable part. For the Members of the Management Board the relation between variable remuneration and fixed remuneration should not exceed 100% of the annual basic remuneration, with the proviso that variable remuneration exceeding 100% (not more than 200%) of the annual basic remuneration is subject to approval by the Annual General Meeting of the Bank.

The basic remuneration of the Members of the Management Board is determined by the Supervisory Board taking into account the following information:

- the resolution of the Management Board on the division of powers between the Members of the Management Board of the bank (with a particular focus on changes in powers),
- long-term results achieved as at the assessment date,
- available internal market data (e.g. internal comparison of mBank Group),
- available external market data (e.g. information on remuneration of management board members of other WSE-listed companies, additional market benchmarks).

A detailed description of the rules of the incentive programmes for the Management Board based on shares is presented in Note 41 of mBank S.A. Group IFRS Consolidated Financial Statements 2019.

On April 12, 2018, the resolution regarding the implementation of the incentive programme and determination of the rules for conducting it, and the resolution regarding the issue of subscription warrants, conditional share capital increase with divestment of the existing shareholders' pre-emptive right to subscription warrants and shares and amendments to the Company's bylaws and on applying for the admission of shares to trading on the regulated market and share dematerialisation were adopted at the 31st Annual General Meeting of mBank. The new Incentive Programme replaced two other programmes: the employee programme dated October 27, 2008 and the incentive programme of mBank dated March 14, 2008 for Members of the Management Board. In line with the Incentive Programme dated April 12, 2018, the bank will issue no more than 934,000 ordinary bearer shares with a face value of PLN 4.00 each. In order to grant the rights, the bank will issue 934,000 registered subscription warrants. The Incentive Programme will be implemented until December 31, 2028 or until all shares are taken up, if it happens before that date.

The existing programmes are being gradually terminated. No new shares are granted under the 2008 programmes, and the bank only meets its obligations arising from deferred tranches under these programmes.

Warrants are offered to the group of Risk Takers, composed of Members of the Management Board of mBank and mBank Group's subsidiaries and selected employees of mBank.

The bonus of a Management Board Member is paid in the following way:

- 40% of the bonus - in the calendar year in which the bonus amount is determined (non-deferred part);
- 60% of the bonus - in equal tranches in the five subsequent calendar years following the calendar year in which the bonus amount is determined (deferred part).

The non-deferred part: 50% is paid in cash in the month following the month of the Annual General Meeting; the other 50% is paid in the form of subscription warrants issued not earlier than twelve months

from the date of the AGM. The value of one subscription warrant will equal the Average Market Price minus PLN 4.00.

The deferred part is paid in five equal tranches in the five subsequent calendar years: 50% of each tranche is paid in cash in the month following the month of the AGM of mBank which approved the consolidated financial statements of mBank Group for the previous calendar year, but not later than by 31 July of the year in which the AGM of the bank was held; 50% is granted in the form of subscription warrants issued not earlier than after the lapse of 12 months from the AGM which approved the consolidated financial statements of mBank Group for the previous calendar year. The value of one subscription warrant equals the average market price minus PLN 4.00.

The bonus amount granted to a Risk Taker for a given calendar year is calculated individually for this Risk Taker and depends on the amount of the bonus pool. Bonuses are calculated on the basis of economic profit.

The remuneration of the Members of the Management Board in 2018-2019 is presented in the following tables.

	Remuneration paid in 2019 (in PLN)			
	Basic remuneration	Other benefits	Bonus for 2018	Deferred bonus <sup>1</sup>
1. Cezary Stypułkowski	3,333,230	297,804	400,000	697,648
2. Lidia Jabłonowska-Luba	1,680,000	196,843	180,000	340,000
3. Frank Bock	1,750,453	520,367	140,000	54,167
4. Andreas Böger	1,767,133	370,212	200,000	43,750
5. Krzysztof Dąbrowski	1,680,000	157,011	200,000	128,333
6. Cezary Kocik	1,680,000	214,546	240,000	400,000
7. Adam Pers	1,680,000	134,594	200,000	99,001
<b>In total</b>	<b>13,570,816</b>	<b>1,891,377</b>	<b>1,560,000</b>	<b>1,762,899</b>

<sup>1</sup> In 2019, the third deferred tranche was paid as part of the settlement of the cash portion of the bonus for 2015, the second deferred tranche as part of the settlement of the cash portion of the bonus for 2016 and the first deferred tranche as part of the settlement of the cash portion of the bonus for 2017. Krzysztof Dąbrowski and Adam Pers were paid deferred tranches (with the date of payment in 2019) as the settlement of the cash portion of the bonus granted during the period of performing the functions of the Managing Directors.

	Remuneration paid in 2019 (in PLN)		
	Basic remuneration	Other benefits	Deferred bonus <sup>1</sup>
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2017</b>			
1. Christoph Heins	-	-	100,000
2. Jarosław Mastalerz	-	-	320,000
3. Przemysław Gdański	-	-	348,334

<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2016</b>			
1. Jörg Hessenmüller	-	-	212,500

<sup>1</sup> In 2019, Members of the Management Board who ceased to perform their functions in 2017 and Jörg Hessenmüller received the third deferred tranche as part of the settlement of the cash portion of the bonus for 2015, the second deferred tranche as part of the settlement of the cash portion of the bonus for 2016 and the first deferred tranche as part of the settlement part of the cash bonus for 2017.

	Remuneration paid in 2018 (in PLN)			
	Basic remuneration	Other benefits	Bonus for 2017	Deferred bonus <sup>1</sup>
1. Cezary Stypułkowski	3,580,421	241,475	434,466	805,415
2. Lidia Jabłonowska-Luba	1,629,000	183,087	150,000	445,000
3. Frank Bock	1,694,638	252,467	108,334	-
4. Andreas Böger	1,729,940	132,699	87,500	-
5. Krzysztof Dąbrowski	1,733,565	146,847	150,000	76,667
6. Cezary Kocik	1,879,956	199,194	250,000	475,000

7. Adam Pers	1,676,801	126,426	126,334	90,000
<b>In total</b>	<b>13,924,321</b>	<b>1,282,195</b>	<b>1,306,634</b>	<b>1,892,082</b>

<sup>1</sup> In 2018, the third deferred tranche as part of the settlement of the cash portion of the bonus for 2014, the second deferred tranche as part of the settlement of the cash portion of the bonus for 2015 and the first deferred tranche as part of the settlement of the cash portion of the bonus for 2016 were paid. Krzysztof Dąbrowski and Adam Pers were paid deferred tranches (with the date of payment in 2018) as the settlement of the cash portion of the bonus granted during the period of performing the functions of the Managing Directors.

	Remuneration paid in 2018 (in PLN)			
	Basic remuneration	Other benefits	Bonus for 2017	Deferred bonus <sup>1</sup>
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2017</b>				
1. Christoph Heins	-	-	75,000	62,500
2. Jarosław Mastalerz	-	-	50,000	475,000
3. Przemysław Gdański	-	-	166,668	445,000
<b>Remuneration of former Members of the Management Board who ceased to perform their functions in 2016</b>				
1. Jörg Hessenmüller	-	-		402,500

<sup>1</sup> In 2018, Members of the Management Board who ceased to perform their functions in 2017 and Jörg Hessenmüller received the third deferred tranche as part of the settlement of the cash portion of the bonus for 2014, the second deferred tranche as part of the settlement of the cash portion of the bonus for 2015 and the first deferred tranche as part of the settlement of the cash portion of the bonus for 2016.

#### The bank's shares held by the Members of the Management Board:

As at 31 December 2019, the bank shares were held by five Members of the Management Board: Cezary Stypułkowski – 21,249 shares, Frank Bock – 334 shares, Andreas Böger – 270 shares, Krzysztof Dąbrowski – 1 000 shares and Cezary Kocik 1,040 shares.

For comparison, as at 31 December 2018, the bank shares were held by four Members of the Management Board: Cezary Stypułkowski – 19 384 shares, Frank Bock – 223 shares, Andreas Böger – 180 shares and Krzysztof Dąbrowski – 1,630 shares.

#### **Composition of the Supervisory Board**

The Supervisory Board acts on the basis of adopted Rules and performs the functions provided for in the By-laws of mBank, the Code of Commercial Partnerships and Companies, and the Banking Law Act.

The By-laws of mBank provide that the Supervisory Board consists of no less than five Members elected by the General Meeting for a joint term of three years. A Member of the Supervisory Board whose mandate expired in the course of the joint term of the Supervisory Board may be replaced with another person, elected by the Supervisory Board. The term of a Member of the Supervisory Board so elected expires on the expiration of the term of the other Members of the Supervisory Board. Appointment of Supervisory Board Members in the course of the joint term of office of the Supervisory Board must be approved by the next General Meeting.

Members of the Supervisory Board should possess knowledge, skills and experience adequate for fulfilling their function and duties entrusted to them and should guarantee proper fulfilment of these duties. At least half of all Supervisory Board Members, including the Chairperson, shall hold Polish citizenship, permanently reside in Poland, speak Polish and have experience on the Polish market which can be used while supervising the bank's operations. Pursuant to the statutory requirement, at least two Supervisory Board Members are independent. The independence criteria of a Supervisory Board Member are stipulated in the mandatory provisions of law.

As at the end of 2019, the composition of mBank's Supervisory Board was as follows:

1. Maciej Leśny – Chairman of the Supervisory Board
2. Stephan Engels – Deputy Chairman of the Supervisory Board – he resigned as at December 31, 2019.
3. Tomasz Bieske – Member of the Supervisory Board
4. Marcus Chromik – Member of the Supervisory Board
5. Mirosław Godlewski – Member of the Supervisory Board

6. Jörg Hessenmüller – Member of the Supervisory Board
7. Gurjinder Singh Johal – Member of the Supervisory Board
8. Michael Mandel – Member of the Supervisory Board
9. Teresa Mokrysz – Member of the Supervisory Board
10. Agnieszka Słomka-Gołębiowska – Member of the Supervisory Board

Changes which have taken place since the election of the Supervisory Board by the 30th AGM of mBank held on March 30, 2017 are discussed below.

Thorsten Kanzler resigned from mBank's Supervisory Board and from the Supervisory Board Risk Committee as at September 23, 2018. By way of a resolution of mBank's Supervisory Board, Gurjinder Singh Johal was elected as a new Member of the Supervisory Board of mBank as at September 24, 2018 until the end of the current term of office of the Supervisory Board.

Dr. Janusz Fiszer, Member of the Supervisory Board and the Audit Committee, died on September 2, 2019.

On September 19, 2019, dr. Andre Carls resigned from the Supervisory Board, the Executive and Nomination Committee, the Remuneration Committee, and the Audit Committee with effect on September 30, 2019.

On December 5, 2019, Stephan Engels resigned from the Supervisory Board, the Executive and Nomination Committee, and the Remuneration Committee with effect on December 31, 2019.

Detailed information on mBank Supervisory Board Members, who performed their functions as at the end of 2019, is presented in the table below.

#### **Maciej Leśny - Chairman of the Supervisory Board**

Maciej Leśny graduated from the Faculty of Economic Sciences at Warsaw University in 1969. During his professional career, Maciej Leśny worked for 6 years in the shipbuilding industry in Gdańsk and 8 years for Zakłady Elektronicznej Techniki Obliczeniowej. For more than 22 years, he worked in the central state administration, including 8 years in the position of Undersecretary of State: in the Ministry of Foreign Economic Co-operation; the Ministry of Economy; the Ministry of Economy, Labour and Social Policy; and finally in the Ministry of Infrastructure.

He completed a post-graduate course and training courses at universities in the USA: Michigan University (Business School of Administration) and De Paul University (Chicago). In 1992-1993, as a holder of scholarship granted by the US government, Maciej Leśny studied at the American University in Washington, DC. During his scholarship time, he took part in a four-month internship at the World Bank and completed a privatization training course at the International Monetary Fund.

From March 1994 to 1998, Maciej Leśny was the Chairman of the Supervisory Board of mBank (formerly BRE Bank). Then, until December 2001, he was a Member of the Supervisory Board. In 2004, Maciej Leśny was re-elected as the Chairman of the Supervisory Board.

#### **Stephan Engels – Deputy Chairman of the Supervisory Board – resigned as at December 31, 2019.**

Mr Engels is a graduate of the University of St. Gallen in Switzerland. In the period of 1988-1993, he worked at Daimler-Benz AG's Internal Audit Department. Afterwards he headed the Regional Controlling (Europe) at debis AG for three years. From 1996 to 2000, he served as the Chief Financial Officer at debis AirFinance B.V. In 2000, Mr Engels joined DaimlerChrysler Bank AG as the Member of the Board for Credit, and then CFO and IT. In 2003, he took the position of the Member of the Board for Finance, Controlling, Risk Management & Strategy at DaimlerChrysler Services AG. From 2007 to 2012, he was a Member of the Executive Committee of Mercedes-Benz Car Group for Finance & Controlling and the Head of Management Group Controlling at Daimler AG.

On April 1, 2012 he was appointed Member of the Board, Chief Financial Officer at Commerzbank AG.

### **Tomasz Bieske - Member of the Supervisory Board**

Mr Bieske studied economy at the University of Cologne. He worked in Dresdner Bank's head office in Frankfurt for six years. In 1990, Tomasz Bieske co-founded Arthur Andersen in Poland and became a partner and the Head of Financial Markets Group responsible for cooperation with financial sector clients. He continued his career path at Ernst & Young as the director of the Financial Markets Group, Audit and Business Advisory. He participated in the majority of the key projects in the financial services sector including preparation of public offerings of PKO BP S.A. and Kredyt Bank S.A. as well as audits of financial statements of the National Bank of Poland, PKO BP S.A., Pekao S.A., Getin Holding and a number of other banks. He managed many advisory projects in the banking sector.

Since 2011, he has been participating in the work of the committee for legal and business regulatory changes of the cooperative banking sector and closely cooperating with the Polish Bank Association (Związek Banków Polskich) and the National Association of Cooperative Banks (Krajowy Związek Banków Spółdzielczych). Tomasz Bieske has professional qualifications of a Polish statutory auditor. Until June 30, 2013, he worked for Ernst & Young.

### **Marcus Chromik - Member of the Supervisory Board**

Marcus Chromik studied physics in Göttingen, Kiel and Munich. He also engaged in scientific research at Michigan State University. Mr Chromik holds a PhD in nuclear physics.

He started his professional career with McKinsey & Company in 2001. In 2004, he joined Postbank Group, where he held various executive positions, being responsible for, among others, new share issues and syndication, liquidity management and Credit Treasury. Later he served as the Chief Market Risk Officer in Commerzbank's markets and corporates segment for more than three years, where he was responsible for market and liquidity risk management. As of 2012, Marcus Chromik became Divisional Board Member, Chief Credit Risk Officer at Commerzbank.

On January 1, 2016, he was appointed Member of the Board of Managing Directors at Commerzbank AG, Chief Risk Officer.

### **Mirosław Godlewski - Member of the Supervisory Board**

Mirosław Godlewski completed the MBA programme at Warsaw University of Technology, the MBA programme at Ashridge Management College and Harvard Business School Advanced Management Program.

He is the Executive Chairman of Apteki Gemini, Senior Advisor at BCG, a Member of the Supervisory Board of Celon Pharma S.A., a Member of the Supervisory Board of Netia S.A. and the so-called "Angel Investor" at Hedgehog Fund.

Mr Godlewski was a member of the Supervisory Board at ABC Data SA and a member of the Nomination and Remuneration Committee. In 2007-2014, he was the President and CEO of Netia S.A. He also held executive positions with Opoczno S.A., Pepsi Cola General Bottlers-Polska Sp. z o.o., DEC Sp. z o.o. and MEMRB Polska.

### **Jörg Hessenmüller - Member of the Supervisory Board**

Jörg Hessenmüller graduated from Hochschule für Bankwirtschaft in Frankfurt am Main in 1997 and was awarded the title of Master in Management (Diplom-Betriebswirt (FH)). From 1989 to 2009, he worked for Dresdner Bank, holding the position of, among others, Head of Financial Control responsible for London, New York, Moscow, Sao Paulo and Asia. In 2009, Mr Hessenmüller was appointed Managing Director in Commerzbank Group and worked as Head of Investment Banking Finance, Group Finance. From April 2012 to June 2016, he was the Member of the Management Board of mBank S.A., Chief Financial Officer.

From July 2016, Jörg Hessenmüller worked as the Divisional Board Member for the Group division Digital Transformation & Strategy. On December 5, 2018, Jörg Hessenmüller was appointed to the Board of Managing Directors of Commerzbank AG as the Chief Operating Officer responsible for, among others,

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Commerzbank Group growth and strategy, digital transformation and IT, organisation, and security, with effect from January 15, 2019.

#### **Gurjinder Singh Johal – Member of the Supervisory Board**

Gurjinder Singh Johal graduated with a degree in Business & Finance from the University of East London (UEL) in 1994. In addition he completed managerial studies at Said Business School.

He started his career at Standard Bank London in 1995 before moving to Commerzbank in 2007. He initially assumed responsibility for the Emerging Markets & Credit Derivatives segment. From 2011 he headed the Global Credit Trading desk.

In 2016-2018 Gurjinder Singh Johal was Divisional Board Member and Head of Group Market Risk Management at Commerzbank. In October 2018, Gurjinder Singh Johal was appointed the Divisional Board Member responsible for Group Treasury of Commerzbank AG.

#### **Michael Mandel – Member of the Supervisory Board**

He is a graduate of Business Administration at the University of Münster. Between 1986 and 2000, he worked for Dresdner Bank AG, where he was responsible for private banking. In the years 2000-2002, he was a consultant in McKinsey & Company consulting company.

Since 2002, he has worked for Commerzbank AG, first as the Head of Business Development for the Private Customer Segment, and then the Group Manager for Private and Business Customers. In 2008, he was appointed CEO of Comdirect Bank AG. Since 2010, he has served as the Divisional Board Member for Private Customers at Commerzbank AG. In May 2016, Michael Mandel was appointed the Member of the Board of Managing Directors at Commerzbank AG responsible for the segment of "Private and Business Customers".

#### **Teresa Mokrysz - Member of the Supervisory Board**

Teresa Mokrysz graduated from the Academy of Economics (now the University of Economics) in Katowice (1978). In 1990, she created the Mokate brand, one of the most recognisable Polish brands in the world. She transformed a small family-run company into an international business. As one of the owners, Teresa Mokrysz runs eight Mokate enterprises headquartered in Poland and in other countries of Central Europe. She built production plants in the Polish towns of Żory and Ustroń from scratch and expanded a production plant near Prague (producing coffee, tea and intermediate products for the food industry). She has successfully launched her products in several dozen countries on all the continents.

In 2000, the International Association of Women Entrepreneurs from Los Angeles awarded her the title of the "Most Entrepreneurial Woman in the World". Moreover, Teresa Mokrysz received a number of prestigious awards in Poland and abroad, including the "Leader of the Decade" title granted by *Gazeta Wyborcza*, and the "Success of the Decade" title granted by the *Businessman Magazine*. She funds scholarships for talented and underprivileged young people and provides financial support to health care institutions, nursing care homes, orphanages and schools.

At the meeting of the Executive and Nomination Committee of the Supervisory Board held on December 12, 2019, Teresa Mokrysz announced that she would not run for another term as a Supervisory Board Member in 2020.

#### **Agnieszka Słomka-Gołębiowska - Member of the Supervisory Board**

Agnieszka Słomka-Gołębiowska holds PhD in economics. She is a graduate of Warsaw School of Economics specializing in finance and banking and completed the MBA programme of the French Institute of Management (IFG). She obtained her PhD degree at Warsaw School of Economics (SGH). Agnieszka Słomka-Gołębiowska works as a lecturer at Warsaw School of Economics and she conducts research into corporate governance. She attended several Executive Education courses, e.g. the IESE-Harvard Business School programme.

From 2006 to 2009, she was the Director in the Industrial Development Agency responsible for corporate governance, and before that, a consultant for private and state-controlled companies at Arthur Andersen. Since 2006, she has been a member of supervisory boards. Agnieszka Słomka-Gołębiowska was a holder

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of the Alexander von Humboldt Fellowship at the University of Münster and the Polish-American Fulbright Fellowship at the University of California, Berkeley. She was also a visiting scholar at universities in Cambridge (MIT), Tucson (UOA), Münster, Copenhagen (CBS), Birmingham (BBS), Berlin (HSoG), Genoa (UoG - Law School), Vienna (WU) and Florence (UniFi). She is the author of many publications on corporate governance.

As at December 31, 2019, there were three independent Supervisory Board Members: Tomasz Bieske, Mirosław Godlewski and Agnieszka Słomka-Gołębiowska. Maciej Leśny and Teresa Mokrysz did not meet the independence criterion due to the fact that they have been sitting on the Supervisory Board for over twelve years. Marcus Chromik, Stephan Engels, Jörg Hessenmüller, Gurjinder Singh Johal, and Michael Mandel were not independent members due to their relationship with the main shareholder of mBank.

### **Powers and procedures of the Supervisory Board**

The responsibilities of the Supervisory Board include, in particular, the following matters:

- Exercising supervision over the implementation and operation of an adequate and effective risk management system and internal control system in the bank,
- Advising and supervising the Management Board in defining internal guidelines for the activity of the bank, especially for the areas subject to risks, including the bank's credit policy, investment policy, guarantee policy, compliance policy, and approving the Management Board's proposals concerning the general organisational structure of the bank;
- Supervising compliance of the bank's risk-taking regulations with the strategy and financial plan of the bank;
- Approving the disclosure policy rules concerning risk management and capital adequacy adopted by the Management Board;
- Approving strategies and procedures for the internal control system, the risk management system, the internal capital assessment process, capital management and capital planning, as proposed by the Management Board;
- Assessing the adequacy and effectiveness of the risk management system and the internal control system;
- Reviewing regular and exhaustive reports presented by the Management Board on all relevant issues related to the activity of the bank, the risks of its activity, and the methods and effectiveness of risk management;
- Preparing a concise assessment of the position of the bank to be presented to the Annual General Meeting and attached to the annual report of the bank for the previous financial year.
- Approving the bank's annual financial plans, multi-year growth plans, as well as the strategy of the bank and the rules of prudent and stable management of the bank;
- Reviewing any motions and matters which are subject to resolutions of the General Meeting, including draft resolutions of the General Meeting; the Supervisory Board prepares justifications for draft resolutions to be presented to the General Meeting for approval;
- Issuing and approving rules provided for in the By-laws of mBank;
- Appointing and dismissing the President of the Management Board, the Vice-Presidents of the Management Board and other Members of the Management Board subject to the procedures laid down in the Banking Law Act and other generally applicable laws;
- Defining the terms of contracts and remuneration of the Management Board;
- Authorizing the Chairperson of the Supervisory Board to represent mBank in agreements with the Management Board Members, including the conclusion of management contracts with Management Board Members;

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- Receiving, in advance, information on creating, acquiring, closing and managing branches, permanent representations and parts of the enterprise, and initiating and terminating undertakings and fields of operations;
  - Approving conclusion or amendment of any significant contract or agreement with the Members of the Management Board or the Supervisory Board;
  - Approving conclusion, amendment or termination of any significant affiliation or co-operation agreements;
  - Receiving information on the expected deviations from the annual budget;
  - Analysing reports of the Internal Audit Department Director received at least once per year;
  - Issuing guidelines for the Management Board Members regarding the level and structure of remuneration for the senior management;
  - Approving the policy of variable remuneration components of persons holding managerial positions in mBank;
  - Approving the operational risk management strategy developed by the Management Board, assessing implementation of the strategy and, if necessary, commissioning its review;
  - Granting the Members of the Management Board of the bank consent to sitting on management or supervisory boards of companies outside mBank Group;
  - Granting consent to appointment and dismissal of the directors of the Internal Audit Department and the Compliance Department and approval of their remuneration;
  - Approving the organisational rules of the Internal Audit Department and the Compliance Department; and
  - Presenting a report on the assessment of the functioning of the bank's remuneration policy to the Annual General Meeting to allow the Annual General Meeting to assess this policy.

Meetings of the Supervisory Board are convened by the Chairperson of the Supervisory Board on his or her own initiative, or on request of the Management Board, or on request of a Supervisory Board Member, no less frequently than three times a year. All Management Board Members participate in the meetings of the Supervisory Board except for those agenda items which directly concern the Management Board or its Members.

Resolutions of the Supervisory Board are adopted by a simple majority of votes. In the case of an equal number of votes, the Chairperson of the Supervisory Board has the casting vote.

No resolution should be passed without the consent of the majority of the Independent Members of the Supervisory Board on the following matters:

- any benefits provided by the bank or any entities associated with the bank to the Members of the Management Board;
- consent for the bank to enter into a significant agreement with an entity associated with the bank, a Member of the Supervisory Board or the Management Board, and entities associated with them.

There are four Supervisory Board Committees: the Executive and Nomination Committee, the Risk Committee, the Audit Committee, and the Remuneration Committee. In addition, the Supervisory Board has set up a Working Group for IT, which holds regular meetings.

Members of the Committees as at the end of 2019 are presented below.

Executive and Nomination Committee	Risk Committee	Audit Committee	Remuneration Committee
Jörg Hessenmüller – Chairman	Marcus Chromik - Chairman	Tomasz Bieske - Chairman	Stephan Engels – Chairman <sup>1)</sup>
Stephan Engels – Member <sup>1)</sup>	Mirosław Godlewski - Member	Jörg Hessenmüller - Member	Tomasz Bieske - Member
Maciej Leśny - Member Teresa Mokrysz - Member	Gurjinder Singh Johal – Member Agnieszka Słomka-Gołębiowska - Member	Agnieszka Słomka-Gołębiowska - Member	Maciej Leśny - Member

<sup>1)</sup> Stephan Engels resigned as at December 31, 2019.

### **Executive and Nomination Committee**

The tasks of the Executive and Nomination Committee involve, in particular, exercising regular supervision over the bank's activity in the periods between meetings of the Supervisory Board. The Executive Committee authorises the Management Board to acquire, encumber or dispose of real estate, perpetual usufruct rights or interests in real estate, shares in companies and partnerships, and other fixed assets if the value of a transaction exceeds 1% of the bank's own funds. Such authorisation is not required if the aforesaid acquisition took place as part of enforcement or bankruptcy proceedings, including bankruptcy proceeding with the possibility to make an arrangement or other settlement with the bank's debtor or in the case of disposal of assets so acquired. The Committee is also responsible for initial recruitment for the positions of Management Board and Supervisory Board Members of the mBank.

In addition, the Executive and Nomination Committee defines the scope of duties for candidates for the Management Board and the Supervisory Board of the bank and requirements which such persons have to meet to perform their functions. Moreover, the Committee defines the target gender representation ratio for the Management Board and the Supervisory Board of the bank and develops a diversity policy to facilitate the achievement of the target ratio. The Committee performs periodic assessments of the structure, size, composition, and operational effectiveness of the Management Board at least once a year and recommends changes in this respect to the Supervisory Board.

### **Audit Committee**

The Audit Committee issues opinions concerning the selection of a statutory auditor by the General Meeting, recommends the Supervisory Board to approve or reject financial statements, develops the policy and procedures for the selection of an external auditor and provision of other permitted services by the auditor, monitors the financial reporting process as well as the effectiveness of internal control systems, risk management systems and internal audit, and recommends the Supervisory Board to grant or refuse consent to appointment/dismissal of the head of the Internal Audit Department and the head of the Compliance Department. Moreover, the Audit Committee presents the Supervisory Board with the opinion on the annual assessment of adequacy and effectiveness of the control function, the Compliance Department and the Internal Audit Department, recommends the Supervisory Board to approve or reject the principles of mBank's information policy concerning capital adequacy and recommends the Supervisory Board to approve or reject mBank's compliance policy and annual report on compliance risk management in the bank.

Pursuant to the Rules of the Supervisory Board, the Audit Committee is composed of at least three members, whereas at least one of the Audit Committee members has to possess knowledge and skills in the scope of accounting or financial statements audit. The Rules of the Audit Committee of the Supervisory Board stipulate that the majority of the Audit Committee members, including its Chairperson, have to be independent.

As at the end of 2019 the Audit Committee was composed of three members. The members who have knowledge and skills in the scope of accounting and financial statements audit include: Tomasz Bieske – the Committee Chairman and Jörg Hessenmüller – the Committee Member.

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Tomasz Bieske and Agnieszka Słomka-Gołębiowska meet the independence criteria. The independence criteria are specified in Article 129 of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight.

All the members of the Audit Committee have vast knowledge in the sphere of banking:

- Tomasz Bieske - a certified auditor for financial statements audit, a long-term employee of Arthur Andersen Polska and Ernst & Young Polska;
- Jörg Hessenmüller - a long-term member of mBank's Management Board, Chief Financial Officer (CFO), member of the Board of Managing Directors of Commerzbank AG;
- Agnieszka Słomka-Gołębiowska - PhD in economics, a graduate of Warsaw School of Economics specialising in finance and banking and the MBA programme of the French Institute of Management (IFG). She is the author of many publications on corporate governance.

The Audit Committee recommends a statutory auditor to audit the financial statements of mBank S.A. and the consolidated financial statements of mBank S.A. Group to the Supervisory Board. The statutory auditor is elected by the AGM based on a recommendation submitted by the Supervisory Board. The recommendation is prepared in accordance with an election procedure which takes into account the applicable laws. The procedure for selecting an audit firm to audit mBank's financial statements approved by the Audit Committee in 2018 meets the requirements of Article 16 (2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of financial statements of public-interest entities.

The policy for selecting an audit firm in mBank S.A. approved by the Audit Committee meets the requirements of the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Oversight and Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 (Regulation No. 537/2014). The policy incorporates the principle regarding the rotation of statutory auditors. The duration of total uninterrupted statutory audit engagements referred to in Article 17 (1) paragraph 2 of Regulation (EU) No. 537/2014 carried out by the same audit firm or an audit firm related to this audit firm, or any member of the network operating within the European Union to which these audit firms belong, must not exceed five years. The key statutory auditor may carry out a statutory audit again in the bank after at least three years of the completion of the last statutory audit. In the case of a statutory audit, the first agreement on statutory audit is concluded with an audit firm for the period not shorter than two years with an option to extend it for another two-year period.

The policy on the performance of permitted non-audit services in mBank S.A. by the audit firm carrying out the audit, by entities related to the audit firm and by a member of an audit firm network approved by the Audit Committee meets the requirements of the Act on Statutory Auditors, Audit Firms and Public Oversight and Regulation No. 537/2014.

Pursuant to the policy on the performance of permitted non-audit services in mBank S.A. by the audit firm carrying out the audit, by entities related to the audit firm and by a member of an audit firm network, a statutory auditor or an audit firm carrying out the statutory audit, or any member of the network to which the statutory auditor or the audit firm belongs, do not directly or indirectly provide to the audited entity, to its parent undertaking or to its controlled undertakings within the Union:

- any prohibited non-audit services in the period between the beginning of the period audited and the issuing of the audit report;
- any services that consist in designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems.

Under Article 136 of the Act on Statutory Auditors, prohibited services do not include the following:

1. services that consist in:
  - a. conducting due diligence procedures with regard to economic and financial condition,

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- b. issuing comfort letters in connection with prospectuses issued by the audited entity, in accordance with the national standard of related services and by means of agreed procedures,
  2. assurance services with regard to pro forma financial information, forecasts of results or estimated results, published in the prospectus issued by the audited entity,
  3. examination of historical financial information of the prospectus,
  4. verification of consolidation packages,
  5. confirmation of fulfilment of conditions of the concluded loan contracts on the basis of analysis of financial information coming from financial statements audited by a given audit firm,
  6. assurance services in reporting concerning corporate governance, risk management and corporate social responsibility,
  7. services consisting in the assessment of compliance of information revealed by financial institutions and investment companies with the requirements for disclosing information concerning capital adequacy and variable remuneration components,
  8. certification concerning financial statements or other financial information for supervision bodies, the supervisory board or another supervisory authority of the company, or owners, exceeding the scope of the statutory audit, to help these authorities to perform their statutory duties.

Provision of the said services is possible only in the scope not related to the tax policy of the bank, after the Audit Committee evaluates hazards and safeguards for the independence.

The audit firm auditing the financial statements of mBank and mBank Group provided the permitted non-audit services to mBank. Therefore, the Audit Committee each time assessed the independence of the audit firm and granted its consent to the provision of the services.

The Audit Committee held 4 meetings in 2019.

### **Risk Committee**

The Risk Committee has, among others, the following tasks: exercising permanent supervision over credit risk, market risk, liquidity risk and non-financial risks, including operational risk. Moreover, the Risk Committee issues recommendations for approval or rejection of exposures posing single entity risk, in accordance with the parameters defined by the Supervisory Board. The Committee discusses matters related to corporate, financial markets, and retail portfolio risk. In addition, the Committee discusses non-financial risks, such as cyber risk, reputational risk, and legal issues.

Moreover, the Risk Committee provides the Supervisory Board with recommendations for approval or rejection of transactions, provided for in the Banking Law, concluded between the bank and Members of the bank's authorities, and recommendations for approval or rejection of the bank's disclosure policy regarding risk management. The Risk Committee is also responsible for recommending the Supervisory Board to approve or reject strategies and policies created by the Management Board, issuing opinions on the bank's current and future readiness to take risk and issuing opinions on the strategy of risk management in the bank's operating activity prepared by the bank's Management Board and information on the strategy implementation submitted by the Management Board.

### **Remuneration Committee**

The tasks of the Remuneration Committee include among others: reviewing issues related to the remuneration principles and amounts of remuneration paid to the Members of the Management Board, setting the remuneration levels, presenting opinions concerning approval for Members of the Management Board of mBank to engage in competing activity, issuing recommendations to the Supervisory Board regarding the general guidelines for the Management Board on the level and structure of remuneration for the bank's senior management and the policy on variable components of remuneration paid to persons holding managerial positions at the bank. In addition, the Committee monitors the level and structure of senior management remuneration, issues opinions and monitors the remuneration policy adopted by mBank and assists the bank's bodies in matters regarding development and implementation of this policy.

All standing committees of the Supervisory Board make reports on their activity in the past reporting year available to the shareholders. The aforesaid reports are appended to the set of materials for the Annual

General Meeting and can be found on mBank's website at <https://www.mbank.pl/en/investor-relations/general-meeting/> .

The amount of monthly remuneration of the Members of the Supervisory Board was set in Resolution No. 50 regarding the remuneration rules for the Members of the Supervisory Board of mBank S.A. adopted by the 30<sup>th</sup> Annual General Meeting of mBank S.A. held on March 30, 2017. The Chairperson of the Supervisory Board earns PLN 17,000 monthly, the Deputy Chairperson - PLN 14,500 monthly, while Members of the Supervisory Board earn PLN 12,000 monthly each.

Additional monthly remuneration is granted for the participation in standing committees of the Supervisory Board: 50% of monthly remuneration of a Supervisory Board Member for the first committee and 25% for participating in another committee. No additional remuneration is paid to a Member of the Supervisory Board who sits on three or more Standing Committees of the Supervisory Board. However, a Supervisory Board Member performing the function of the Chairperson of the Audit Committee of the Supervisory Board of the bank is entitled to additional remuneration equal to 80% of the sum of remuneration he or she is paid.

The remuneration of the Supervisory Board for 2018-2019 is presented in the table below.

	Remuneration paid in 2019 (in PLN)	Remuneration paid in 2018 (in PLN)
1. Maciej Leśny	366,133	367,235
2. Stephan Engels	-	-
3. Tomasz Bieske	429,185	429,025
4. Marcus Chromik	-	-
5. Mirosław Godlewski	216,540	216,000
6. Joerg Hessenmueller	-	216,000
7. Gurjinder Singh Johal	216,000	54,000
8. Michael Mandel	-	-
9. Teresa Mokrysz	220,385	220,225
10. Agnieszka Słomka-Gołębiowska	258,285	257,435
Andre Carls <sup>1</sup>	216,000	288,000
Janusz Fiszer <sup>2</sup>	144,000	216,000
Thorsten Kanzler <sup>3</sup>	-	162,000
<b>In total</b>	<b>2,066,528</b>	<b>2,425,920</b>

<sup>1</sup> Andre Carls Thorsten Kanzler resigned from his function on September 23, 2019

<sup>2</sup> On September 2, 2019 the Management Board of Bank became aware that Dr Janusz Fiszer died on September 2, 2019.

<sup>3</sup> Thorsten Kanzler resigned from his function on September 23, 2018

### Activity of the Supervisory Board in 2019

The Supervisory Board held six meetings and adopted 72 resolutions in 2019. The resolutions covered all areas of the bank's operation and were consistent with the scope of supervisory functions specified in generally applicable laws, the Banking Law, PFSA recommendations, corporate governance principles, and mBank's By-laws and the Rules of the Supervisory Board.

At its meetings in 2019, the Supervisory Board discussed and assessed the current results of mBank Group and individual business lines taking into account the financial plan. The Supervisory Board also discussed and accepted other detailed reports required by the law concerning different areas of the bank's activity, including, i.a., regular risk, compliance, audit, bancassurance and IT security reports. At its meeting on December 12, 2019, the Supervisory Board approved the "mBank Group Strategy for 2020-2023 – Growth fuelled by our clients".

During their regular meetings in 2019, the Supervisory Board Committees discussed in detail the key issues concerning individual areas of the bank's activity, which, pursuant to the applicable regulations, must be approved by the Supervisory Board.

Attendance of the Supervisory Board Members at Supervisory Board meetings in 2019 is presented in the table below.

	Attendance <sup>1</sup>
Tomasz Bieske	6/6
Andre Carls (Supervisory Board Member until September 30, 2019)	4/4
Marcus Chromik	4/6
Jörg Hessenmüller	5/6
Stephan Engels	5/6
Mirosław Godlewski	5/6
Janusz Fiszer (Supervisory Board Member until September 2, 2019)	4/4
Gurjinder Singh Johal	3/6
Maciej Leśny	6/6
Michael Mandel	1/6
Teresa Mokrysz	6/6
Agnieszka Słomka-Gołębiowska	6/6

<sup>1</sup> Attendance at meetings/number of meetings during the term of office

### 1.8. mBank's Diversity Policy

The basic elements of the diversity policy have been incorporated in our HR policy for several years. We are guided by the principle that diversity creates value added for the organisation. Elements of the diversity policy are present in various regulations, procedures and processes.

Diversity arising from experience, knowledge, education, interests and a number of other things fosters creativity, innovation and effectiveness, and thus contributes to the company's competitive advantage, service quality and economic results.

mBank treats people equally regardless of their sex, age, material status, family background, physical abilities, nationality, country of origin, sexual orientation, and political and religious beliefs, that is all the factors that may give rise to direct or indirect discrimination. We offer a workplace that helps the management make use of and develop their unique features, skills and interests, for example, through participation in training activities and clubs that bring together people with similar interests. Diversity management contributes to creating an organisational culture based on openness and tolerance where everyone feels appreciated and respected, and is offered career development opportunities.

Pursuant to the gender equality policy, we try to ensure that both men and women take part in external and internal recruitment and in the succession planning regarding the key functions at the bank, taking into account the principles of equal treatment in hiring new employees. Our recruitment process involves a selection method that ensures objective assessment of candidates' skills. Each employee of the bank can be promoted to a managerial position if they have a relevant professional track record. Evaluation of job positions is based on objective criteria, which prevents discrimination.

The Management Board and the Supervisory Board apply the "Policy for the assessment of qualifications (suitability) of members of the supervisory body, management body and key function holders in mBank S.A.". The policy aims at introducing principles which must be fulfilled so that key functions in the bank are held by individuals who have relevant qualifications, knowledge, skills, professional experience, predispositions and reputation that are suitable for the function. The Suitability Policy includes a separate chapter dedicated to the diversity policy.

When selecting and appointing Members of the Management Board and proposing candidates for Members of the Supervisory Board, mBank takes into account the diversity issue:

■ with respect to the Management Board

When deciding on the composition of the Management Board, the Supervisory Board makes every effort to ensure its diversity, especially in terms of age, education, professional experience and participation of women. The Supervisory Board pays attention to the diversity of educational background and professional experience of the Management Board Members.

■ with respect to the Supervisory Board

The age structure of the Supervisory Board Members should be diverse. Moreover, the Supervisory Board aims at ensuring that its members have diverse educational background and professional experience. The Supervisory Board also lays emphasis on the adequate participation of women.

The composition of the Supervisory Board reflects the concepts underlying the diversity policy. The Supervisory Board is composed of representatives of mBank's main shareholder, representatives of science and business, and persons having vast legal knowledge and banking expertise.

At the end of 2019, there were two women among the ten Supervisory Board Members, making up 20% of the total number of Members.

Supervisory Board of mBank								
	31.12.2016		31.12.2017		31.12.2018		31.12.2019	
	number of members	%						
Women	2	17%	2	17%	2	17%	2	20%
Men	10	83%	10	83%	10	83%	8	80%
<b>In total</b>	<b>12</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>12</b>	<b>100%</b>	<b>10</b>	<b>100%</b>

There is one woman among the seven Management Board Members.

Management Board of mBank								
	31.12.2016		31.12.2017		31.12.2018		31.12.2019	
	number of members	%						
Women	1	14%	1	14%	1	14%	1	14%
Men	6	86%	6	86%	6	86%	6	86%
<b>In total</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>	<b>7</b>	<b>100%</b>

The total participation of women in the Management Board and the Supervisory Board will be at least 30% by 2028. The recommended number of women in the Management Board is at least one woman.

mBank's managers graduated from different fields of study in Poland and abroad, including economics, technology, IT, law, philology and other. The management consists of people with diverse experience in Polish, European and American financial and non-financial institutions. The management team is aware of the importance of diversity for the work environment and takes part in training sessions based on recognising differences and deriving benefits from them. The Success Insights method is used to identify employees' abilities and skills. The method helps to identify personality traits that can be used at work.