

Warsaw, 15 February 2021

## **Report on the Activities of the Audit Committee of the Supervisory Board of mBank S.A. in 2020**

### **Legal basis**

The Audit Committee of the Supervisory Board of mBank S.A. operates as a standing committee based on:

- Article 86 of the Act of 5 May 2017 on Statutory Auditors and Their Council, Entities Authorised to Audit Financial Statements, and Public Supervision,
- “Recommendations concerning the operation of the Audit Committee” issued by the Polish Financial Supervision Authority in November 2010,
- Best Practice of Companies listed on the Warsaw Stock Exchange,
- By-laws of mBank S.A. (Article 22 (3) (2)),
- Rules of the Supervisory Board of mBank S.A. (Article 12 (3) (2)).

### **Composition of the Committee**

From the start of its current term of office, the Audit Committee has been composed of:

- Tomasz Bieske (Chairman)
- Joerg Hessenmueller (Member)
- Aleksandra Gren (Member)

During the meetings listed below the Committee Members discussed current and open issues.

### **Meetings / actions / decisions**

In 2020 the Audit Committee held six meetings: on 27 February, 26 March, 27 March, 4 June, 21 October, and 16 December.

During the meeting on 27 February 2020 the Audit Committee analysed and thoroughly discussed, among others, the following issues:

- Confirmation of fulfillment of legal and regulatory requirements of mBank S.A. financial statements
- Final conclusion of year-end audit of mBank S.A. Group Financial Statements for 2019 including discussion on the Additional Report to the Audit Committee prepared by EY Poland
- Update on current status of EY independence in performing audit services
- Statement on selection of an audit firm to carry out the audit of standalone and consolidated annual financial statements for 2019
- Approval of the MB Report on the activities of mBank Group including activities of mBank S.A

- Approval of Financial Statements of mBank S.A. for 2019
- Approval of Consolidated Financial Statements of mBank Group for 2019
- EY offer regarding extending duration of the agreement regarding the audit of financial statements and consolidated financial statements and recommendation of the Audit Committee on selection of the audit firm for 2020-2022
- Report on the Audit Committee activities for 2019

During the meeting on 26 March 2020, the Audit Committee analysed and discussed, among others, the following issues:

- Annual report on compliance risk management at mBank S.A in 2019.
- Annual report on supervision over claims and complaint handling processes at mBank S.A. in 2019
- Annual report of the supervision inspector on the internal supervision of investment business of mBank S.A, for 2019.
- Supervision Inspector's annual report on supervision of the bank's depositary activities
- Whistleblowing report for the period December 2019 - February 2020.
- Information on the status of the Actimize implementation.
- Information on the progress of work on implementing the CCU project in all banking departments
- Internal Audit Department report November 2019 - February 2020
- Internal Audit Report for 2019
- Status of implementation of the Strategy of the Internal Audit Department of mBank SA for 2019-2021
- Information on non-audit services
- Report for Q4 2019 on critical and significant irregularities together with the status of recovery plans
- Assessment of the effectiveness of the control function for 2019
- Assessment of the internal control system and risk management system at mBank S.A. in 2019.
- Changes to the Audit Committee rules
- Changes to The Compliance Department rules

During the meeting on 27 March 2020, the Audit Committee analyzed and discussed the following issue:

- Appointment of the Audit Committee Chairman

During the meeting on 4 June 2020, the Audit Committee analysed and discussed, among others, the following issues:

- Comments on issues identified during Q1 2020 review performed for the purpose of Commerzbank Group
- COVID-19 impact on application of accounting policies and disclosures
- H1 2020 review plan
- General audit plan for 2020
- Update on current status of EY independence in performing audit services
- Final conclusion of year-end audit of financial statements of mBank Branch in Slovakia for 2019 including additional report to the Audit Committee prepared by EY Slovakia
- Internal Audit Report February - April 2020
- COVID-19 - impact on the internal controls and changes to the audit plan for 2020
- Information about KNF inspection from 2019
- Report on the implementation of the control function and compliance risk management at mBank S.A. in Q1 2020
- Impact of COVID-19 on areas of the bank's operations falling within the scope of the Compliance Department and the work of DC.
- Report on the supervision of claims and complaints at mBank for Q1 2020
- Whistleblowing Report February - April 2020 and a presentation on significant external abuse since early 2020.
- Presentation on new anti-corruption policy
- Compliance transformation, including Actimize implementation. Status.
- Detailed information on work on changes in AML policy at mLeasing and LeaseLink
- Annual report on compliance activities in brokerage bureau in 2019
- Report on Outsourcing Effectiveness
- Information on non-audit services at mBank
- Quarterly status of irregularities registered in the control function together with the state of implementation of recovery plans.

During the meeting on 21 October 2020, the Audit Committee discussed, among others, the following issues:

- Summary of the Bank's group and statutory review for H1 2020
- Status of 2020 Audit Plan (including Q3 2020 review plan)
- Overview of mBank H1 2020 financial results in comparison to the main banks in Poland

- Update on current status of EY independence in performing audit services
- Internal Audit Report May - August 2020
- Changes to the Audit plan 2020
- Changes to the Audit Charter of mBank S.A.
- Changes to the policy of cooperation of internal audits of mBank and Commerzbank
- Report on Compliance risk management Q2 2020
- Report on supervision over handling claims and complaints Q2 2020
- Policy of concluding significant transactions with entities related to mBank S.A.
- Whistleblowing Report May - August 2020
- Amendments to the Conflicts of Interest Management Policy
- Amendments in AML in mLeasing and LeaseLink
- Compliance risks in mFinance
- Compliance transformation. Actimize status
- Information about non-audit services
- Quarterly status of irregularities registered in the control function together with the state of implementation of recovery plans Q2 2020
- Self-assessment of Risk Management Effectiveness
- The results of vertical testing of adherence to key control mechanisms by 1 LoD (Line of Defense) in 1H 2020 in the mBank Group
- Changes to the Audit Committee Rules

During its meeting on 11 December 2020 the Audit Committee discussed in detail, among others, the following issues:

- Changes in the compliance area - grounds and description
- Actimize and other software implementation status
- Report on the implementation of the risk control and compliance management function at mBank S.A. in Q3 2020,
- Report on the supervision of the processes of handling claims and complaints mBank S.A. for Q3 2020,
- Approval of the modified "Compliance Policy at mBank S.A., to which the Regulations of the Compliance Department are attached,"
- Compliance Department Action Plan for 2021,
- Whistleblowing report for the period: October - November 2020,
- Information about external and internal fraud - significant cases. Fraud prevention trends and methods, especially in the COVID-19 era,

- Methods of monitoring compliance issues in the group companies
- Approval of the outsourcing policy in mBank S.A.
- Internal Audit Report September - October 2020
- Internal Audit Plan for 2021, implementation of strategic Internal Audit plan for 2019-2021
- Results of the KNF inspection on operational risk
- Information on outsourcing in IT and plans for hiring / dismissing external employees.
- Summary of the Bank's group reporting review for the Q3 2020
- Current status of the audit plan for 2020 (including status of preliminary examination)
- Information on EY's independence in providing audit services
- Irregularities in the implementation of the actions of the recovery plans Q3 2020
- Information about non-audit services

During each meeting the Audit Committee discussed and analysed internal audit reports. The Audit Committee was informed on a regular basis on actions related to the key risk areas and reports of the Internal Audit Department covering a range of issues, including reports on:

- implementation of overdue recommendations issued by the Internal Audit Department
- main risk areas
- implemented post-inspection recommendations of the KNF.

The Audit Committee agrees with the assessment of risk of the bank's processes and areas presented by the Internal Audit Department. During the year, between the committee meetings, the committee was provided with high-risk internal audit results and, after changes to the law, with reports on all internal audits. The Audit Committee recommended to the Supervisory Board reports and changes to the department's regulations requiring the Supervisory Board's approval.

During the meetings of the Audit Committee, the Compliance Department informed the Committee about all the necessary issues concerning the compliance area and answered questions of the Committee Members.

Furthermore, the Audit Committee was informed on a regular basis about the bank's performance and financial standing before publication of the quarterly and half-year financial reports of mBank Group.

During the meetings, the Audit Committee asked the departments to provide more detailed and precise information on selected activities of the departments and analysed such activities again during subsequent meetings.

The Committee Members regularly participated in the work of the working group on IT, which met twice in 2020. The group supports the Supervisory Board in supervising the IT and ICT security area of mBank. The working group on IT discussed in detail periodic reports of the

Management Board on IT and IT security. In addition, the Committee Members participated in training courses organised by PwC (Key accounting issues and the role of Audit Committee in financial reporting, New Polish tax regulations, Regulatory priorities and recent developments) and meetings with the representatives of the Polish Bank Association (ZBP) on cybersecurity.

The Chairman of the Audit Committee is in regular contact with the directors of the Internal Audit Department, Compliance Department, and Financial Reporting Department, and with other organisational unit heads, as need be.

All Audit Committee meetings were attended by the Chairman of the Supervisory Board, President of the Management Board of the Bank, and selected Management Board Members. Furthermore, the Committee meetings were attended by the directors of the Internal Audit Department, Compliance Department, and Finance units, as well as many other guests (including from Commerzbank AG), depending on the agenda.

The Audit Committee fulfilled all the duties imposed on it under the applicable laws.

Tomasz Bieske  
Chairman of the Audit Committee