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Warsaw, 21 February 2024

Bank Millennium S.A.

ul. Stanisława Żaryna 2A,
02-593 Warszawa

Re.: assessment of internal regulations of Bank Millennium S.A. regarding the operation of the Supervisory Board in terms of their adequacy, within the meaning of Recommendation Z

Dear Sirs and Madams,

Below is our opinion on the assessment of the internal regulations of Bank Millennium S.A. ("**Bank**") regarding the operation of the Bank's supervisory board ("**Supervisory Board**"). The scope of our analysis included a review of the Bank's internal regulations regarding the operation of the Supervisory Board to assess whether they are adequate, within the meaning of Recommendation Z¹.

I. Conclusions

1.1 We have assessed the following internal regulations in the Bank regarding the operation of

¹ Recommendation Z on internal governance in banks, issued by the Polish Financial Supervision Authority under Resolution No. 289/2020 of 9 October 2020.

the Supervisory Board:

- (i) Bank Millennium S.A.'s Articles of Association ("**Articles of Association**"),
 - (ii) Bank Millennium S.A. Supervisory Board Bylaws ("**Supervisory Board Bylaws**"),
 - (iii) Regulations for participation in Supervisory Board meetings by means of direct remote communication,
 - (iv) Bank Millennium S.A. Supervisory Board Audit Committee Bylaws,
 - (v) Supervisory Board Risk Committee Bylaws,
 - (vi) Supervisory Board Personnel Committee Bylaws,
 - (vii) Supervisory Board Strategic Committee Bylaws,
 - (viii) Policy for selection and suitability assessment of members of the Bank Millennium S.A. Supervisory Board ("**Policy**"),
 - (ix) Procedure for preventing money laundering and financing of terrorism at Bank Millennium S.A.,
 - (x) Bank Millennium S.A. Shareholder Meeting Bylaws,
 - (xi) Compensation policy for Members of the Bank Millennium S.A. Management Board and Supervisory Board,
 - (xii) Policy for the prevention of conflicts of interest at Bank Millennium S.A.,
 - (xiii) Bank Millennium S.A. Organizational Bylaws,
 - (xiv) Policies and guidelines for managing current reportable information, including confidential information,
 - (xv) Training rules for Members of the Bank Millennium S.A. Management Board and Supervisory Board ("**Training Rules**"),
- (collectively, "**Regulations**").

1.2 After reviewing the above documents, we conclude that the Regulations are adequate in terms of Recommendation Z, as:

- (i) they are generally in compliance with the provisions of the law, in particular the CCC² and the Banking Law³, as well as with the requirements of the regulatory authority known to us, including in particular Recommendation Z,
- (ii) they ensure that the Supervisory Board is able to act effectively, as they stipulate that Supervisory Board members should: (1) perform their duties actively, with due diligence and commitment, (2) make judgments based on their own independent judgment and objective and substantive arguments, (3) understand the Bank's governance arrangements and their role, and (4) allocate adequate time resources to perform their tasks and duties.

² Act of 15 September 2000 entitled the Commercial Company Code.

³ Act of 29 August 1997 entitled the Banking Law.

II. Analysis

A. Legal framework of the assessment

2.1. In accordance with Recommendation 8.9 in Recommendation Z ("**Recommendation 8.9**"), the adequacy of internal regulations for the operation of the supervisory board and management board and the effectiveness of these bodies should be subject to regular self-assessment and assessment by the supervisory board - with respect to the management board, and by the shareholder meeting (meeting of representatives) with respect to the supervisory board. This assessment can be carried out with the support of external advisors.

2.2. Recommendation 8.9 does not include definitions of the terms "adequacy" and "effectiveness." The interpretation of these terms should therefore be made primarily in the context of the other provisions of Recommendation Z, in particular: (i) letter B, paragraph 6 of Recommendation Z entitled "*Commitment, independence and management of conflicts of interest in the supervisory board and management board*", which includes Recommendation 8.9, and (ii) the wording of Recommendation 8, which stipulates that:

"Every member of the bank's supervisory board and management board should perform their duties actively, with due diligence and commitment. They should make judgments on the basis of their own independent judgment and objective and substantive arguments, and make decisions in accordance with those judgments. Members of the supervisory board and management board, as well as those who hold key positions in the bank, should thoroughly understand the bank's governance arrangements and their role."

2.3. Given the above, in our opinion, "adequacy" and "effectiveness" on the grounds of Recommendation 8.9, should be understood as follows:

(i) "**adequacy**" is the compliance of internal regulations for the operation of the Supervisory Board with the provisions of the law, in particular the CCC, the Banking Law, as well as the requirements of the regulatory authority, including, in particular, Recommendation Z that provides tools for the effective performance of the functions of the Supervisory Board and its individual members,

(ii) "**effectiveness**" is (1) the performance of the Supervisory Board members' duties actively, with due diligence and commitment, (2) the making of judgments by Supervisory Board members based on their own independent judgment and objective and substantive arguments, (3) understanding, by Supervisory Board members, of the Bank's governance arrangements and their role, and (4) allocation of adequate time resources to perform their tasks and duties.

2.4. In our opinion, the self-assessment (assessment) should cover: (i) the internal regulations of the corporate bodies and, separately, (ii) the actual activity of these bodies and their members.

- 2.5. This way of framing the subject of the assessment (self-assessment) follows from the wording of Recommendation Z.
- 2.6. Indeed, the Polish Financial Supervision Authority in the wording of Recommendation 8.9 used the conjunction "and" before the noun "effectiveness" remaining in the grammatical singular and nominative. Only the word "adequacy" is used in the same number and case in the body of Recommendation 8.9. Thus, the conjunction "and" as well as the grammatical cohesion of the number and case made means that the content of Recommendation 8.9 should be interpreted in such a way that the self-assessment is to cover (i) the adequacy of the internal regulations and (ii) the effectiveness of the given corporate body. If only the adequacy of the internal regulations with regard to the operation and effectiveness of the corporate bodies were to be assessed, then the word "skuteczność" ("effectiveness") would have to be replaced by the word "skuteczności" ("of effectiveness") and thus in the number and case corresponding to the word "operation" (singular complement).
- 2.7. Such an understanding is further justified by functional (expedience-based) considerations. Recommendation 8.9 refers primarily to what factual actions should be taken by management / supervisory board members, i.e. to be committed, independent and not to act under conditions of conflict of interest. Thus, it should be assumed that, self-assessment as well as assessment cannot only refer to the assessment of internal regulations, but should also include the actual manner of performance of the duties imposed on management / supervisory board members by Recommendation Z.
- 2.8. The subject of this opinion is the assessment of the Bank's internal regulations regarding the operation of the Supervisory Board in terms of their adequacy, within the meaning of Recommendation Z

B. Adequacy of the Regulations

- 2.9. **[Basic information about the Supervisory Board]** The Supervisory Board exercises permanent supervision over the Bank's operations, including the operation of risk management and internal control systems (17(2) of the Articles of Association).
- 2.10. The Supervisory Board exercises supervision directly and through committees (18(1) of the Articles of Association). The Supervisory Board's standing committees are the Audit Committee, the Personnel Committee, the Strategic Committee and the Risk Committee (18(2) of the Articles of Association). The committees operate on the basis of bylaws adopted by them and approved by the Supervisory Board (6(3)¹ of the Supervisory Board Bylaws).
- 2.11. According to 12(1) of the Articles of Association: *"The Supervisory Board consists of at least five members. At least half of the Supervisory Board members, including its Chairperson, should hold Polish citizenship. At least two Supervisory Board members should be independent members. The number of the Supervisory Board members is determined by the Shareholder Meeting."*

- 2.12. **[Regulations under which the Supervisory Board operates]** The Supervisory Board operates on the basis of generally applicable laws, in accordance with the Articles of Association, Supervisory Board Bylaws and other Regulations.
- 2.13. There are internal regulations in force at the Bank that define the operation of mechanisms to make appropriate verifications/assessments regarding the state of internal regulations and the Bank's operation ("Documentation Management in Bank Millennium S.A. Policies and Guidelines", "Instruction on Issuance of Normative Acts at Bank Millennium S.A.", "Announcement on Determination of Principles of Conduct of Legal Department Employees in Informing Bank Millennium S.A. Organizational Units of Changes in Law and Decisions of the President of UOKIK on Abusive Clauses or Protection of Collective Interests of Consumers and Abusive Clauses Entered in the Register of Prohibited Terms kept by UOKIK", "Regulations of Legal Services at Bank Millennium S.A.").
- 2.14. Having completed an analysis, we assess that the Regulations under which the Supervisory Board operates are comprehensive and properly reflect the specifics of the Bank's operations, as well as its size and organizational structure.
- 2.15. **[Supervisory Board meetings, decision-making process and independence of judgment of Supervisory Board members]** Supervisory Board meetings are held as needed, but at least once in each quarter of the financial year (16 Articles of Association and 9(4) of the Supervisory Board Bylaws).
- 2.16. A notice convening a Supervisory Board meeting, including the proposed agenda, should be delivered to all members of the Supervisory Board at least 7 days before the scheduled date of the meeting (10(1) and (3) of the Supervisory Board Bylaws). In justified cases, the Supervisory Board Chairperson may shorten this period (10(1) of the Supervisory Board Bylaws). Convening a Supervisory Board meeting without observing the aforementioned method and timing of notification is possible only in cases of emergency (10(2) of the Supervisory Board Bylaws). Information materials on matters on the agenda are delivered to Supervisory Board members well in advance (10(3) of the Supervisory Board Bylaws). All motions submitted to the Supervisory Board for consideration must meet the requirements for the requested matter, be complete and clear and contain up-to-date information (10(5) of the Supervisory Board Bylaws).
- 2.17. In accordance with the Supervisory Board Bylaws, the Supervisory Board Chairperson, or in his/her absence the Deputy Chairperson or Secretary, oversee the course of the meeting, in particular are responsible for the efficiency of the meeting and its compliance with relevant regulatory requirements (10(4) of the Supervisory Board Bylaws). The Supervisory Board, or in his/her absence the Deputy Chairperson or Secretary, also organizes the work of the Supervisory Board in such a way that dissenting views can be expressed and discussed as part of the discussion, based on a sound understanding of the situation (9(6) of the Supervisory Board Bylaws). A description of the discussion is reflected in the minutes (14 (1) of the Supervisory Board Bylaws).

- 2.18. Supervisory Board Members are required to perform their function in an active manner, demonstrating the necessary level of commitment to the work of the Supervisory Board (8.1(2) of the Supervisory Board Bylaws). Supervisory Board Members should also have the skills to present their views and to influence the decision-making process within the Supervisory Board (Section III, paragraph 4.4 of the Policy).
- 2.19. The Supervisory Board Bylaws also stipulate that the Supervisory Board members have the possibility to submit dissenting opinions with justification, if any, and may also submit motions and objections (14(1) and (2) of the Supervisory Board Bylaws). Disregarded comments with an indication of the reasons for disregarding them are recorded in the minutes (14(1) of the Supervisory Board Bylaws).
- 2.20. According to the Supervisory Board Bylaws, Supervisory Board members, in performing their duties, should be guided by objective assessment and judgment (2(2) of the Supervisory Board Bylaws).
- 2.21. Independence of judgment of Supervisory Board members, understood as possession of appropriate character traits, is further analyzed as part of the assessment of suitability of Supervisory Board members conducted, in accordance with the Policy (Section III, paragraph 4.8 a) of the Policy and Appendix 1 to the Policy).
- 2.22. The Supervisory Board may select an advisor to the Supervisory Board within the meaning of Article 382₁ of the CCC, as well as request the Bank's Management Board to appoint a selected external entity to conduct certain analyses or consult with the Board on certain matters, if this is necessary for proper and effective supervision (5(2) of the Supervisory Board Bylaws). The Supervisory Board's authority in question is matched by an obligation on the part of the Bank's Management Board to carry out the Bank's Supervisory Board's motion to appoint a selected external entity to conduct certain analyses or to seek its opinion on certain matters (5(2) of the Management Board Bylaws).
- 2.23. In summary, the Regulations ensure that Supervisory Board members are able to take an active part in Supervisory Board meetings and regulate the obligation of Supervisory Board members to devote sufficient time to prepare for meetings.
- 2.24. The Supervisory Board Chairperson has the authority to ensure that the Supervisory Board's decisions are made properly, in accordance with laws and regulations, and on the basis of adequate, timely, accurate, complete and understandable information presented in a manner that allows all Supervisory Board members to become familiar with it.
- 2.25. The Regulations provide Supervisory Board members with the possibility to express and discuss dissenting views in discussions, as well as the possibility to submit dissenting opinions or comments. Thus, Supervisory Board members have the possibility to act objectively and on the basis of their own independent judgment.
- 2.26. **[Vacancies]** If there is an incomplete Supervisory Board, the Supervisory Board is required

to reorganize in order to ensure the effectiveness of its work (6(1) of the Supervisory Board Bylaws). In addition, the Policy sets out the rules for dealing with sudden and unexpected events (Section III.8 of the Policy).

- 2.27. However, in the event of a permanent vacancy, the election of new Supervisory Board members takes place in accordance with the Articles of Association and the Bank's Shareholder Meeting Bylaws. The submission of a candidate for a Supervisory Board member requires the demonstration of his/her competence, enabling him/her to duly perform his/her duties, and the presentation of such person's curriculum vitae and information enabling the assessment of the candidate, in particular the statement and documents referred to in Article 22aa of the Banking Law (24(2) of the Bank's Shareholder Meeting Bylaws). Preliminary assessment of the suitability of candidates and issuance of recommendations for approval by the Shareholder Meeting is carried out by the Personnel Committee (2(1)(2) of the Personnel Committee Bylaws).
- 2.28. The Bank follows the good practice that candidacies for Supervisory Board members should be submitted in time to allow shareholders present at the Shareholder Meeting to make an informed decision, but no later than 3 days before the Shareholder Meeting (Rule 4.9.1 of the Best Practices for WSE Listed Companies 2021).
- 2.29. In summary, the Regulations provide an appropriate way to deal with vacancies on the Supervisory Board.
- 2.30. **[Powers of Supervisory Board Members]** According to the Supervisory Board Bylaws, Supervisory Board members should have knowledge, skills and experience appropriate to their functions and assigned duties, and provide a guarantee of their proper performance (81₁ of the Supervisory Board Bylaws).
- 2.31. In addition, according to the Policy, Supervisory Board members should have good reputation and have qualifications appropriate to: (i) the profile of the function performed, (ii) the scope and nature of the tasks performed, (iii) membership in Supervisory Board committees (Section I.2 of the Policy).
- 2.32. The Policy also stipulates that the Supervisory Board should have an adequate number of members to ensure that there is at least one member rated at a high level within the meaning of the Policy in each area of knowledge, skills and experience subject to assessment (Section III, paragraph 4.7 of the Policy).
- 2.33. This Policy should also ensure that the Supervisory Board, taken individually and collectively, has the appropriate overall level of competence (Section I.3 of the Policy).
- 2.34. In addition, in accordance with the Training Principles introduced at the Bank, training is conducted at the Bank to, among other things, help newly appointed Supervisory Board members understand the Bank's structure, business model, strategy, risk profile and governance arrangements, and their role (1(2)(1) of the Training Principles).

- 2.35. In summary, the Regulations stipulate that Supervisory Board members should have up-to-date knowledge corresponding to their responsibilities and adequate knowledge of the other areas for which the Supervisory Board is responsible.
- 2.36. The Regulations ensure that Supervisory Board members collectively fully understand the nature of the Bank's business and the risks involved, as well as have appropriate expertise and experience in each major area of business that the Bank conducts and intends to conduct.
- 2.37. **[No conflict of interest]** In our opinion, "conflict of interest" on the grounds of Recommendation 8 in Recommendation Z should be understood as the ability to allocate adequate time resources to the performance of tasks and duties by Supervisory Board members, in particular in the context of combining functions performed at the Bank with functions performed at other entities.
- 2.38. The Supervisory Board By-laws provide that members of the Supervisory Board should dedicate sufficient time to properly perform tasks assigned to them (§ 8¹(2) of the Supervisory Board Bylaws). Whereas the remaining professional activities of a Supervisory Board member, other than serving the function of a member of the Supervisory Board of the Bank, must not take place to the detriment of the quality and effectiveness of supervision at the Bank (8₁(2) of the Supervisory Board Bylaws).
- 2.39. The suitability assessment process assesses, among other criteria, the following: (i) dedication of the time required to perform the tasks of the position, (ii) combination of positions and functions (Section III, paragraph 4.8 of the Policy). In addition, in accordance with the Policy, the Bank documents the records of all external professional and political positions held by Supervisory Board members, and Supervisory Board members are required to inform the Bank of any new positions (Section III, paragraph 4.9 of the Policy). The number and nature of the positions that Supervisory Board members may hold concurrently with their positions at the Bank are set forth in the Policy (Section III, paragraph 4.9 of the Policy and Appendix 3 to the Policy).
- 2.40. The Bank, in accordance with the Policy, also determines the minimum time commitment of Supervisory Board members.
- 2.41. Information on the attendance of Supervisory Board members at meetings is presented in the annual Supervisory Board Reports.
- 2.42. In conclusion, according to the Regulations, Supervisory Board members should focus on the Bank's core business, and functions performed in other entities must not interfere with their professional activities at the Bank.
- 2.43. Supervisory Board members should have time resources that are commensurate with the scope of the tasks and responsibilities associated with their functions, while complying with the minimum time commitment set by the Bank.

III. Disclaimers

- 3.1. This opinion was prepared for the purpose of the Supervisory Board's self-assessment and the Bank's Shareholder Meeting's assessment of the Bank's internal regulations regarding the operation of the Supervisory Board in terms of their adequacy within the meaning of Recommendation Z. We did not analyze the Regulations from any other angle and in terms beyond the operation of the Supervisory Board. Nor is it the subject of this opinion to assess the effectiveness of the Supervisory Board, and therefore to assess the actual operation of the Supervisory Board.
- 3.2. This opinion was prepared on the basis of the documents listed in items 1.1 (i)-(xv), as well as additional information and explanations provided by the Bank in response to our questions. We did not verify the veracity of the documents, information, explanations provided to us and assumed that they were true, complete and up-to-date.
- 3.3. This opinion was prepared solely on the basis of selected provisions of Polish law in effect on the date of this opinion, i.e. according to the status indicated in the introduction to this opinion. Since the analysis and conclusions contained in this opinion are based on the wording of the laws in effect on the date of its preparation, the validity of this analysis and conclusions may not be preserved in the situation of a subsequent change in the legal situation, involving modification of these laws.
- 3.4. This opinion presents views resulting from the authors' own analysis of the existing legal situation and does not contain a binding interpretation of the legal provisions covered by this analysis. Therefore, it cannot be ruled out that in this regard, other persons or entities, including courts and administrative bodies (in particular, the Polish Financial Supervision Authority), may take a different interpretative position with all the consequences for the Bank, including members of the Bank's corporate bodies.
- 3.5. The Bank may make this opinion available to the General Meeting, Polish Financial Supervision Authority and other public administration bodies that supervise the Bank's operations.

dr Marcin Olechowski

advocate / partner

Cc: advocate Julia Trzmielewska