

**REPORT CONCERNING THE  
PRINCIPLES OF CORPORATE  
GOVERNANCE  
IN BANK MILLENNIUM IN 2014**

## I. PRINCIPLES OF CORPORATE GOVERNANCE AT BANK MILLENNIUM

### IX.1. Statement on the Principles of Corporate Governance Employed in 2014.

„Good Practices in Public Companies on the WSE” adopted by the Board of the Warsaw Stock Exchange constitute a set of Corporate Governance principles to whose observance Bank Millennium was committed in 2014. The fundamental standard of the above-mentioned Good Practices is the „comply or explain” rule, i.e. the duty to publish information in the form of a report, whenever any of the principles described in the “Good Practices” guidelines is not followed. The full text of the “Good Practices” document is available from the WSE website [www.corp-gov.gpw.pl](http://www.corp-gov.gpw.pl) and from the Bank’s website <http://www.bankmillennium.pl/en/about-the-bank/corporate-bodies-and-governance>

In 2014 Bank Millennium observed all the principles contained in the Good Practices except one rule provided for in Chapter IV section 10 item 2 of Good Practices, regarding ensuring the shareholders with opportunity to participate in General Meetings of Shareholders („GMS”) with the use of real-time online two-way communication, by means of which the shareholders may take an active part in a General Meeting of Shareholders from a different place than the place of meeting. In the Bank’s assessment the implementation of this rule during a General Meeting carries with itself certain technical and legal risks to the correct and efficient conducting of the General Meeting. In the Bank’s assessment the avoiding of these threats constitutes a bigger value for the shareholders than the implementation of the rule from Chapter IV section 10 item 2 of Good Practices. At the same time the Bank since 2008 has provided real-time internet broadcasting of the proceedings of the GMS, in accordance with the requirement specified in Chapter IV section 10 item 1 of Good Practices. At the same time the Bank does not rule out the possibility of ensuring to the shareholders two-way real time communication during the proceedings of a General Meeting, should actual or legal circumstances change.

Otherwise, by applying due diligence in establishing corporate and investors’ relations, Bank Millennium, as a company listed on WSE, complied, in 2014, with standards of Good Practices. The Bank strives to ensure the highest transparency of its activities, proper communication with investors and protection of shareholder rights also in materials not regulated by effective laws.

From the beginning of 2015, the Bank, as a financial institution, is also subject to the Principles of Corporate Governance for Institutions Supervised by the Polish Financial Supervision Authority (Principles), as accessible from the KNF website [www.knf.gov.pl](http://www.knf.gov.pl)

In December 2014 the Bank’s Management Board and the Supervisory Board passed resolutions on application of the Principles, with the exception of those stipulated in:

- 1) § 8 sec. 4 - principle demanding the possibility of electronic active participation in the GMS,
- 2) § 16 sec. 1 and § 24 sec. 1 - rules concerning holding of meetings of the Bank’s governing bodies (Management Board and Supervisory Board) in Polish.

The Bank’s position that there is no possibility of electronic active participation in a GMS is consistent and reiterates the Bank’s position previously expressed with respect to a principle existing in the Good Practices, referred-to above.

With respect to the principle of holding meetings of the Management Board and Supervisory Board in Polish the Bank has taken position that the knowledge of the English language by the Management Board Members enables full mutual understanding and an appropriate level of communication during meetings. Furthermore the practically applied rule of holding Supervisory Board meetings both in Polish as well as in English, with necessary assistance provided by an interpreter, also enables full mutual understanding and an appropriate level of communication.

The Management Board and the Supervisory Board decided to apply to the GMS, approving the financial statement for the year 2014, in the matter of the Principles addressed to Shareholders.

In the reporting period, the Bank was, for the seventh consecutive time, listed among RESPECT Index companies („Index”) - the Central and Eastern Europe’s first index of socially responsible companies. In the course of review conducted in December 2014, the RESPECT Index incorporated only 24 companies from amongst the entire population of businesses listed on WSE. Enterprises incorporated in the said Index operate on the basis of the best corporate governance standards, information policy, investor relations and in the area of employee matters, social relations and environment protection.

## IX.2. Shareholders and General Meeting of Shareholders

As on 31 December 2014, the Bank's share capital consisted of 1,213,116,777 shares (1 PLN of par value each). Below please find information about the shareholders in direct or indirect possession of significant blocks of shares with the number of shares held by them, their share in the share capital and the total number of votes at the General Meeting of the Bank's Shareholders. Since the Bank is a public company and its shares traded on the Warsaw Stock Exchange, the Bank does not have any detailed data concerning the composition of shareholders as on 31 December 2014.

As on 31.12.2014, Bank Millennium had two shareholders holding more than 5% of votes at GMS.

Banco Comercial Portugues (BCP), the largest private bank in Portugal - as a strategic investor holds 65.5% of all Bank Millennium shares.

According to the available information, the other major shareholder is the Poland's largest pension fund ING OFE, which, as on 31.12.2014, held 7.9% of the Bank's shares. The remaining shares, i.e. 26.6% of the share capital, are vastly dispersed among Polish and foreign shareholders, both institutional and individual.

### The Bank's shareholders as on 31 December 2014.

Shareholder	Number of shares	% share capital	Number of votes	% share in votes at GMS
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING OFE	95 521 053	7.87	95 521 053	7.87
Total number of Bank's shares	1 213 116 777	100	1 213 116 777	100

### The Bank's shareholders as on 31 December 2013

Shareholder	Number of shares	% share capital	Number of votes	% share in votes at GMS
Banco Comercial Portugues S.A.	794 751 136	65.51	794 751 136	65.51
ING OFE	90 560 790	7.47	90 560 790	7.47
Aviva OFE	65 923 565	5.43	65 923 565	5.43
Total number of Bank's shares	1 213 116 777	100	1 213 116 777	100

Data provided in the tables were calculated in accordance with the following principles. With respect to Banco Comercial Portugues S.A the data were collected in connection with registration of the shareholders eligible to take part in the General Meetings of Shareholders convened for 11 April 2013 and 10 April 2014. With respect to ING OFE the number of shares and their participation in the Bank's share capital were calculated on the basis of the Annual Structure of ING OFE assets as of 31 December 2013 and 31 December 2014 (published on the website: [www.ingofe.pl](http://www.ingofe.pl)). For the purposes of the above calculation, the average Bank's share price as at the above dates was assumed to amount to 7.23 PLN for 2013 and 8.25 PLN for 2014.

As a majority shareholder Banco Comercial Portugues S.A. („BCP”), exercises its shareholder's rights stipulated in the Code of Commercial Companies and the Bank's Articles of Association. BCP exercises corporate control over the Bank. By holding a majority of votes at a General Meeting of Shareholders BCP may exert decisive impact upon the decisions about the most important corporate issues, such as amendments to the Articles of Association, issue of new shares of the Bank, reduction of the share capital of the Bank, issue of convertible bonds, payment of dividends and other actions that pursuant to the Code of Commercial Companies require a simple or qualified majority at a General Meeting of Shareholders. BCP has also a sufficient number of votes to appoint all the Members of the Supervisory Board, which in turn appoints Members of the Management Board. Due to the above corporate rights BCP is able to exercise significant control over the operations of the Bank.

The Bank is not aware of any agreements concluded between shareholders regarding their mutual cooperation and the Bank is not aware of any agreements that, in future, might cause changes in the proportions of shares held by existing shareholders.

The Bank's shareholders exercise their rights in the way and within the boundaries defined by effective general laws, the Articles of Association of the Bank as well as the Bylaws of the General Meeting of Shareholders. Each share of the Bank entitles to one vote, however registered founding shares in the outstanding number of 62,200 are preferential in as much as one share entitles to two votes at a GMS. Registered founding shares in total accounted for 0.0051% of the Bank's share capital and 0.0102% of the total number of votes at a General Meeting, as on 31 December 2014.

Founding shares are subject to disposal restrictions, i.e. their disposal subject to a consent of, at least, three fourths of the founders, to other founders does not result in their loss of preferential status. A disposal of registered founding shares in all other cases causes loss of their preferential status. There are no restrictions on exercising voting rights under the Bank's shares and none of the holders of securities issued by the Bank has any special controlling rights with respect to the Bank.

Bank Millennium shares are listed on Warsaw Stock Exchange in Warsaw since 13 August 1992 as the first among all banks. Currently 1,213,007,541 shares with code ISIN PLBIG0000016 (symbol GPW: MIL; Reuters: MILP.WA; Bloomberg: MIL PW) are traded on the stock exchange.

In addition, shareholders have 109,236 registered shares of which 62,200 are founder's shares, privileged (right to two votes on GMS). Thus, total number of Bank Millennium shares amount to 1,213,116,777 shares and total number of votes on GMS amount to 1,213,178,977.

### General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the supreme governing body of the Bank. The General Meeting operates in accordance with generally applicable effective laws including, in particular: the Code of Commercial Companies and the Banking Law. Internal procedural rules of the General Meeting of Shareholders are provided for in the form of the Articles of Association and Bylaws and are available from the Bank's website by clicking the bookmark: "About the Bank > Corporate Bodies & Governance". These documents describe, in particular, procedures applicable to General Meeting activities, its competences and, moreover, they indicate specific powers of shareholders to be exercised in the course of a General Meeting.

The competencies of the General Meeting include, *inter alia*, amending the Articles of Association, which includes an increasing and reduction of share capital.

### IX.3. Supervisory Board

The Supervisory Board is a governing body elected for a fixed term and exercising supervision over the activity of the Bank, whose term of office is three years. The Supervisory Board operates under legal regulations, the Articles of Association of the Bank, resolutions of the General Meeting of Shareholders as well as the Bylaws available on the Bank's website. The competences of the Supervisory Board comprise, in particular, appointment and recalling of the Members of Management Board (by an ordinary majority of votes) and determination of their remuneration principles.

The meetings of the Supervisory Board are held at least once a quarter and when needed the Supervisory Board adopts resolutions by a simple majority of votes with at least half of the Supervisory Board Members present. In the case of equal votes the Chairman of the Supervisory Board has a casting vote.

The Supervisory Board of the Bank is composed of at least five Members elected by the General Meeting of Shareholders, of whom at least half, including the Chairman, are of Polish nationality.

In the reporting period the following persons comprised the Supervisory Board of the Bank:

#### 1. Bogusław Kott - Chairman of the Supervisory Board

Mr. Bogusław Kott graduated from the Foreign Trade Faculty at SGPiS (present name SGH - Warsaw School of Economics) in Warsaw. For many years he worked at the Ministry of Finance, specializing in foreign trade financing.

He co-founded and co-organised Bank Millennium S.A., and from 1989 when the Bank was established, till 24 October 2013 was Chairman of the Management Board. Currently, he is the Chairman of the Supervisory Board of Bank Millennium S.A.

Mr Bogusław Kott also sits in the Supervisory Board of Yareal Polska Sp. z o.o.

## **2. Maciej Bednarkiewicz - Deputy Chairman of the Supervisory Board**

Mr. Maciej Bednarkiewicz graduated from the Law Faculty at the University of Warsaw. He started his lawyer's practice in 1969. He was also a lecturer for trainee attorneys, Chairman of the Supreme Bar Council, Member of the Sejm of the 10th term, Member of its Constitutional Committee and Vice-Chairman of the Regulations Committee.

In 1991-1993 he was an advisor to the Head of the Sejm's Chancellery. Furthermore, he was Member of the Legislative Council at the Council of Ministers. In the years 1991-2003 he was a judge of the Tribunal of State.

From 8 September 1993 till 5 January 2001 he was Member of the Supervisory Board of BIG BANK Spółka Akcyjna. From 20 February 1995 till 24 October 2013 he was the Chairman and currently he is Deputy Chairman of the Supervisory Board of Bank Millennium S.A. He is also the Deputy Chairman of the Supervisory Board of PBG S.A.

He is a lawyer specializing in banking cases. He has a law office.

## **3. Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board**

Mr. Nuno Manuel da Silva Amado graduated in Companies Organization and Management at ISCTE (Instituto Superior de Ciências do Trabalho e da Empresa) and attended the Advanced Management Programme at INSEAD (France).

From 1980 he worked in consulting (KPMG) and financial companies; between 2006-2012 he was Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta (Portugal). Since 2012 he has been Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Portugues (BCP), Portugal. Since 20 April 2012 Deputy Chairman of the Supervisory Board of Bank Millennium S.A.

## **4. Marek Furtek - Secretary of the Supervisory Board**

Mr. Marek Furtek, graduate of the Department of Law and Administration at the University of Warsaw and a series of training courses in comparative law at Faculté Internationale du Droit Comparé, Strasbourg (1985, 1986, 1988).

Legal Counsel, Member of the District Chamber of Legal Counsels in Warsaw. President of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw and Member of the Alternative Dispute Resolution Council of the Minister of Justice. Founder and partner at FKA Furtek Komosa Aleksandrowicz Sp. k. law firm in Warsaw. Member of the Supervisory Board of Bank Millennium S.A. in 2006-2008 and since 27 March 2009 Secretary of the Supervisory Board. Mr Marek Furtek also sits in the authorities of Leopold Kronenberg Banking Foundation.

## **5. Miguel de Campos Pereira de Bragança - Member of the Supervisory Board**

Mr. Miguel de Campos Pereira de Braganca graduated in Company Management and Administration from the Catholic University of Portugal and attended the INSEAD MBA programme (France).

Since 1989 he has worked for banks in Portugal, Brazil and Great Britain. Between 2008-2012 he was Director, responsible for the Financial, Accounting and Control, Marketing and Products Areas, at Banco Santander Totta and Banco Santander de Negocios (Portugal). Since 2012 Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Portugues (BCP), Portugal. Since 20 April 2012 Member of the Supervisory Board of Bank Millennium S.A.

## **6. Luís Maria França de Castro Pereira Coutinho - Member of the Supervisory Board**

Mr. Luis Maria Franca da Castro Pereira Coutinho graduated in Economics at the Catholic University of Portugal.

Since 1985 he has worked in banks in Portugal. Between 2003 and 2009, he was Deputy Chairman of the Management Board of Bank Millennium S.A. in Poland. Since 27 March 2009 Member of the Supervisory Board of Bank Millennium SA. Between 2008-2012 he was Member of the Executive Board of Directors of Banco Comercial Portugues (BCP). Since 2012 he has been Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Portugues (BCP), Portugal.

#### **7. Grzegorz Jędrys - Member of the Supervisory Board**

Mr Grzegorz Jędrys is a graduate of the Production Economics Faculty of Warsaw School of Economics and of a post-graduate course at Warsaw School of Economics in Strategic Marketing Management as well as real estate agency operation. Moreover Mr. Jędrys attended many courses and training sessions, i.a. for candidates for members of supervisory boards of State Treasury companies (2008).

He began his professional career in 1994 in the Housing Finance and Municipal Advisory Programme for Poland/PADCO - a joint Poland-USAID programme. In 1996 he worked as Manager of the Building Projects Financing Team in Polsko-Amerykański Bank Hipoteczny S.A. In 1997 - 1999 he was employed in Jedenasty Narodowy Fundusz Inwestycyjny S.A., initially as an Investment Analyst, then as Project Director. Between 1999 and 2005 he was Investment Director in Trinity Management Sp. z o.o. - a company, which managed the assets of Jupiter NFI S.A. as well as Pekao Fundusz Kapitałowy Sp. z o.o. In 1997 - 2005 he sat on Supervisory Boards of many companies.

Starting from 2005 he has been Head of the Poland's Representative Office of the Polish American Freedom Foundation. Since 11 April 2013 he has been Member of the Supervisory Board of Bank Millennium S.A.

#### **8. Andrzej Koźmiński - Member of the Supervisory Board**

Mr. Andrzej Koźmiński, Correspondent Member of Polish Academy of Sciences, for eighteen years Rector of Kozminski University in Warsaw, currently its President, Chairman of the ALK Board of Trustees, Head of the Management Chair till 2014; also performs the function of President of the Management Board of Międzynarodowa Szkoła Zarządzania S.A. In 1981-1987 he was the Dean of the Management Faculty at Warsaw University and in 1991-1996 he was the Director of the International Management Centre of Warsaw University. In 1990-1996 he was a lecturer at the University of California in Los Angeles, invited every year for a semester. In 1982-1989 he was a lecturer at the University in Orleans, France. Visiting professor in many renowned foreign universities.

Professor of economic sciences, with specialisation in "organisation and management", he has published over 400 research papers in this area in many languages, including 47 books. He is an elected Member of the International Academy of Management, Academie Europeene and Academie des Sciences Commerciales in Paris and Warsaw Scientific Society. He is an Honorary Vice-President of the Central and East European Management Development Association (CEEMAN), until 2008 he was a member of the Accreditation Committee of the European Foundation for Management Development (EFMD) in Brussels and Member of the International Committee of the American Association of Collegiate Schools of Business (AACSB). Member of the Scientific Board of UNESCO CEPES (European Center for Higher Education in Bucharest). He is a Member of the Presidium of the Committee of Organisation and Management Sciences at the Polish Academy of Sciences and Member of the Prime Minister's Council for Social and Economic Strategy. Member of the Supervisory Board of Orange Polska S.A. Since 1 August 2000 Member of the Supervisory Board of Bank Millennium S.A.

#### **9. Maria da Conceição Mota Soares de Oliveira Callé Lucas - Member of the Supervisory Board**

Ms. Maria da Conceicao Mota Soares de Oliveira Calle Lucas graduated in Company Management and Administration at the Catholic University of Portugal and a Master's Degree from the London School of Economics, University of London (England).

Since 1983 she has worked at banks in Portugal. Between 2009 and 2012 she was a Director of Banco Privado Atlantico-Europa S.A. (Portugal). Since 2012 she is Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Portugues (BCP), Portugal. Since 20 April 2012 Member of the Supervisory Board of Bank Millennium S.A.

#### **10. Marek Rocki - Member of the Supervisory Board**

Mr. Marek Rocki, graduated from the Finance and Statistics Department, SGPiS (now SGH Warsaw School of Economics) in Warsaw.

Since 1991 has been a professor extraordinary at the Institute of Econometrics of the Warsaw School of Economics. He worked in the Consolidated Brewing Industry Organisation, Institute of Machine Industry Economics and Organisation and since 1981 has been connected with the Warsaw School of Economics (SGH). From November 1981 he was assistant professor in the Institute of Econometrics at SGPiS and in the period 1982 -1988 the scientific secretary of the Institute of Cybernetics and Management at SGPiS. In 1984-88 and 1989-1991 he headed the Department of Econometrics at the Institute of Econometrics. From December 1990 he was the Deputy Rector of Warsaw School of Economics for Teaching. During the 1993-1996 term he was Deputy Rector for Management, while in the period 1996-1999 he held the function of Dean of SGH Graduate Studies. In the years 1999-2005

for two terms he held the office of Rector of SGH. In the years 2005 - 2011 he was the Dean of the SGH Economic Analyses College.

He combined his research and teaching activity in university with work in other institutions, i.a. in the Planning Commission, Central Planning Office. Member of the SGPiS IT Centre Consultative Board (1984-1985), University Senate Organisation and Development Committee (1987-1990). Chairman of AZS Main Board since 2003. At the same time Chairman of the Polish Accreditation Committee since 2008. In the parliamentary elections in 2005, 2007 and again in 2011 he was elected for the Senate of the Republic of Poland. He is a Member of the Supervisory Boards of following companies: COGNOR S.A. and Makarony Polskie S.A. Since 1 August 2000 Member of the Supervisory Board of Bank Millennium S.A.

#### **11. Dariusz Rosati - Member of the Supervisory Board**

Mr. Dariusz Rosati, graduated in International Trade from the Main School of Planning and Statistics - SGPiS (now SGH Warsaw School of Economics) in Warsaw. Professor of economic sciences with the position of Full Professor in the European Union Unit of the SGH Institute of Foreign Trade Policy and European Studies.

In 1978-1979 he was a consultant at Citibank in New York. In 1985-1986 and 1987-1988 - founder and Director of the World Economy Research Institute at SGH. In 1986-1987 he was a Fulbright scholar at the University of Princeton (USA). In 1988-1991 he was the director of the Foreign Trade Research Institute. Since 1990 Professor of Economic Sciences at SGH. In 1991-1995 he worked in the UN Economic Commission for Europe in Geneva (Switzerland) as Head of the Central and Eastern European Section. During 1995 - 1997 Minister of Foreign Affairs of the Republic of Poland. In 1978 - 1991, UNIDO consultant and member of numerous missions to developing countries. In 1988-1991 many times worked as an expert of the World Bank, the United Nations University World Institute for Development Economics Research (WIDER), International Labour Organisation and Commission of the European Communities. Member of the Economic Reform Commission (1987-1989), team of the economic advisors to the Prime Minister (1988 - 1989), the Socio-Economic Strategy Council at the Council of Ministers (1994 - 1998). Since 1997 Member of the Committee of Economics at the Polish Academy of Sciences. In 1998-2004 Member of the Monetary Policy Council of the National Bank of Poland and in 2001-2004 he was a member of the Group of Economic Policy Advisors to the President of the European Commission. From 2003 to 2005 Rector of the Lazarski University in Warsaw. In years 2004 - 2009 and currently (elected in 2014) Member of the European Parliament. Member of Parliament of the Republic of Poland of 7th term - he performed the function of the Chairman of the Public Finance Committee. Author of more than 200 scientific papers and publications, including five books on economic policy.

Member of the Supervisory Board of Bank Millennium S.A. since 27 May 2004.

#### **12. Rui Manuel da Silva Teixeira - Member of the Supervisory Board**

Mr. Rui Manuel da Silva Teixeira graduated in Electronic Engineering at the University of Oporto.

From 1987 he held managerial positions at Banco Comercial Portugues (BCP). Between 2003 and 2006 he was a Member of the Management Board of Bank Millennium S.A. (Poland) and between 2009 and 2010 he was Deputy Chairman of the Management Board of Bank Millennium S.A. (Poland). Between 2011 and 2012 he was Member of the Executive Board of Directors of Banco Comercial Portugues (BCP). Since 2012 Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Portugues (BCP), Portugal. Since 20 April 2012 Member of the Supervisory Board of Bank Millennium S.A.

The present term of office of the Bank's Supervisory Board ends as of the day of holding a General Meeting of Shareholders approving the financial report for the financial year 2014.

#### ***Audit Committee***

The Audit Committee as a standing committee of the Supervisory Board was established in 2000. Its task is to monitor the Bank's financial reporting systems and processes, as well as risk management. In particular the Audit Committee is responsible for carrying out on behalf of the Supervisory Board control over the functioning of the Bank's internal audit.

In compliance with the Act on auditors and their self-government, entities entitled to audit financial reports and on public supervision (Act on Certified Auditors) the Audit Committee must consist of at least three members and at least one of the Members of the Audit Committee must satisfy the

independence requirements and have qualifications in accounting or financial auditing. The Audit Committee meets on a regular basis (once every quarter) and in the extraordinary mode. It is convened by the Chairman of the Supervisory Board on his own initiative or at the request of a Member of the Supervisory Board or a Member of the Management Board. The duties of the Audit Committee include specifically: (i) constant monitoring of the activities of the Bank's auditor and issuing opinions regarding independence of the auditor and any other relations between the auditor and the Bank; (ii) constant monitoring of the systems and processes of financial reporting and risk management of the Bank; and (iii) evaluation and monitoring of internal procedures for accounting and auditing as well as other control systems, including acceptance and handling complaints and doubts concerning them.

From 1 January until 31 December 2014 the Audit Committee was composed of the following persons:

1. Dariusz Rosati - Chairman,
2. Maciej Bednarkiewicz,
3. Miguel de Campos Pereira de Bragança,
4. Luis Maria Pereira Coutinho,
5. Grzegorz Jędryś,
6. Bogusław Kott.

During the reporting period Mr Dariusz Rosati was Chairman of the Audit Committee. He satisfied the independence requirements and had qualifications in accounting or financial audit in accordance with Art. 86, section 4 of the Act on Certified Auditors. Mr. Grzegorz Jędryś satisfied the independence requirement.

#### ***Strategic Committee***

The Strategic Committee as a standing committee of the Supervisory Board has been in existence in the Bank since 2013. The tasks of the Strategic Committee are in particular: (i) examination of macroeconomic trends, (ii) analysing new trends and solutions in the banking sector, (iii) analysing the Bank's competitive position and reference models, (iv) analysing and recommending a long-term strategy, objectives and tasks of the Bank.

In the reporting period the Strategic Committee was composed of the following members:

1. Bogusław Kott - Chairman,
2. Nuno Manuel da Silva Amado,
3. Miguel de Campos Pereira de Bragança,
4. Luis Maria Pereira Coutinho,
5. Andrzej Koźmiński,
6. Dariusz Rosati.

#### ***Personnel Committee***

The Personnel Committee as a standing committee of the Supervisory Board was established in 2000. The duties of the Personnel Committee include in particular: (i) evaluation of the candidates for Members of the Management Board; (ii) establishment of the terms of employment of the newly appointed Members of the Management Board; (iii) negotiation of amendments to the terms of employment of the Members of the Management Board, (iv) establishment of the terms of termination of employment of the Members of the Management Board; and (v) implementation of activities in the area of policy of variable components of remuneration.

In the reporting period the Personnel Committee was composed of the following members:

1. Maciej Bednarkiewicz - Chairman,
2. Nuno Manuel da Silva Amado,
3. Luis Maria Pereira Coutinho,
4. Marek Furtek,
5. Bogusław Kott.

In execution of the effective Resolution of the General Meeting of Shareholders in the matter of determination of remuneration for Members of the Supervisory Board the Personnel Committee of the Supervisory Board defined the levels of remuneration for participation in the work of the Supervisory Board on the basis of a percentage of the average monthly salary in the enterprise sector (base rate). The remuneration shall be paid for each meeting of the Supervisory Board at the end of the month.

For participation in the work of Standing Committees of the Supervisory Board (Personnel Committee, Audit Committee and Strategic Committee) their Members receive remuneration in the month in which the Committee meeting was held. This remuneration shall also be defined as a percentage of the monthly salary in the enterprise sector.

Furthermore, Mr. Maciej Bednarkiewicz for providing individual supervision over the legal aspects of the Bank's operation, Mr. Marek Furtek for providing individual supervision over the execution of the Supervisory Board resolutions and recommendations and Mr. Dariusz Rosati for providing individual supervision in the area of Internal Audit are also entitled to receive specific monthly amounts linked with the base rate.

#### Remuneration paid out to Members of the Supervisory Board in 2014 (in thous. PLN)

Name and Surname	Remuneration for 2014	Benefits	Total
Bogusław Kott *	184,32	21,58	205,90
Maciej Bednarkiewicz	473,60	0,00	473,60
Nuno Manuel da Silva Amado	124,16	0,00	124,16
Marek Furtek	334,08	0,00	334,08
Miguel de Campos Pereira de Braganca	133,12	0,00	133,12
Luis Maria Pereira Coutinho	163,84	0,00	163,84
Grzegorz Jędrys	112,64	0,00	112,64
Andrzej Koźmiński	81,92	0,00	81,92
Maria da Conceicao Mota Soares de Oliveira Calle Lucas	61,44	0,00	61,44
Marek Rocki	61,44	0,00	61,44
Dariusz Rosati	299,52	0,00	299,52
Rui Manuel da Silva Teixeira	61,44	0,00	61,44
<b>Razem:</b>	<b>2 091,52</b>	<b>21,58</b>	<b>2 113,10</b>

\* in addition for the period of performance of the Management Board Chairman function, annual bonus for the year 2012 and 2013 was paid out in the amount of 1 028,72 thous. PLN and compensation for prohibition to work for competition in the amount of 1 740,00 thous. PLN.

In 2014, Members of the Supervisory Board did not receive any remuneration or additional benefits from the bank subsidiary companies.

#### Bank shares held by members of the Supervisory Board (performing functions on 31 December 2014)

Name and Surname	Function	Number of shares as on 31.12.2014	Number of shares as on 31.12.2013
Bogusław Kott	Chairman of the Supervisory Board	4.465.791	4.465.791
Maciej Bednarkiewicz	Deputy Chairman of the Supervisory Board	134	134
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Marek Furtek	Secretary of the Supervisory Board	1	1

Miguel de Campos Pereira de Braganca	Member of the Supervisory Board	0	0
Luis Maria Pereira Coutinho	Member of the Supervisory Board	0	0
Grzegorz Jędryś	Member of the Supervisory Board	0	0
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Maria da Conceicao Mota Soares de Oliveira Calle Lucas	Member of the Supervisory Board	0	0
Marek Rocki	Member of the Supervisory Board	0	0
Dariusz Rosati	Member of the Supervisory Board	0	0
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	0	0

#### IX.4. Management Board

The Management Board is the executive authority of the Bank and manages the entirety of the Bank's operations. The Management Board operates pursuant to the Code of Commercial Companies and other regulations, the Bank's Articles of Association, resolutions of the General Meeting of Shareholders and the Supervisory Board, as well as provisions of the Bylaws of the Management Board adopted by the Supervisory Board, which are available on the Bank's website. The competences of the Management Board include all matters that are not restricted to other authorities of the Bank.

The Management Board makes decisions in the form of resolutions. Resolutions of the Management Board are adopted by an absolute majority of votes present at the Management Board meeting, except for resolutions on the appointment of a registered proxy, which require the unanimous consent of the Members of the Management Board. In the case of equal votes the Chairman of the Management Board has the casting vote. Resolutions of the Management Board may be adopted, if at least half of the Management Board Members are present.

Representations of will on behalf of the Bank are made by: (i) the Chairman of the Management Board individually; (ii) two Members of the Management Board acting jointly or one Member of the Management Board acting jointly with a registered proxy or two registered proxies acting jointly; or (iii) attorneys-in-fact acting individually or jointly within the scope of the power of attorney granted thereto. Mr Jerzy Andrzejewicz holds powers of joint proxy. Attorneys-in-fact operating independently within the limits of their authorisation may be appointed to perform actions of a specified type. The Management Board is composed of a minimum of three Members, of whom at least half have Polish nationality. The Management Board is appointed by the Supervisory Board. The term-of-office of the Management Board is 3 years. A Member of the Bank's Management Board may be recalled by the Supervisory Board at any time.

In the reporting period the composition of the Management Board was, as follows:

##### 1. Joao Bras Jorge - Chairman of the Management Board



Mr Joao Nuno Lima Bras Jorge has a Degree in Management from Universidade Catolica Portuguesa. He also completed the Advance Management Program, PADE - AESE.

Started his career as a stock broker in 1990 and during 10 years made a career in investment banking. Led many transactions and had several positions including as board member of an investment bank and on the board of the Lisbon Stock Exchange.

Prior to his move to Poland had 5 years of experience in Retail Banking, namely as Head of the Customer Division and as Coordinator of the Retail Network.

Since 19 July 2006 he has been a Member of the Management Board of Bank Millennium S.A. From 22 April 2010 he performed the function of the Deputy Chairman of the Management Board and from 20 April 2012 First Deputy Chairman of the Management Board, and since 24 October 2013 Chairman of the Management Board of Bank Millennium S.A. responsible for strategy, internal audit, compliance, personnel, marketing communication and PR.

## 2. Fernando Bicho - Deputy Chairman of the Management Board



Mr Fernando Maria Cardoso Rodrigues Bicho graduated from the Economic Department at Universidade Catolica Portuguesa in 1984. In 1993 he obtained an MBA from Universidade Catolica Portuguesa. He gained his professional experience inter alia in the Portuguese Foreign Investment Institute, Lloyds Bank Plc in Lisbon and Uniao de Banco Portugueses (UBP), later renamed to Banco Mello.

He performed duties as fund manager and later in the bank's Financial Division he was in charge of treasury and capital markets, securities operations, asset and liabilities management, issues on international capital markets, capital management and investor relations.

After Banco Mello purchase by Banco Comercial Portugues (BCP) in 2000, Mr. Fernando Bicho worked in BCP Corporate Centre and from June 2001 he was the head of the Asset and Liabilities Management Division of the BCP Group.

Since August 1, 2002 Member of the Management Board of Bank Millennium. Supervises the areas of planning and management information, Treasury, capital investments and investor relations.

## 3. Artur Klimczak - Deputy Chairman of the Management Board



Mr Artur Klimczak started his banking career in the USA in 1990 in the Citibank Group, holding positions from credit advisor to regional director responsible for the local branch network.

From 2000 he continued his professional career in Poland, where in the Citibank Group he was among others Regional Director responsible for credit centres, and in 2002-2005 he was Managing Director for Central and Eastern Europe in charge of wealth management.

Since 2005 Mr Artur Klimczak has been with Bank Millennium, where he was Director of the Retail Banking Department.

Member of the Management Board since 12 February 2009. Supervises the retail banking area.

## 4. Julianna Boniuk-Gorzelańczyk - Member of the Management Board



Ms Julianna Boniuk-Gorzelańczyk graduated from the Faculty of Finances and Statistics at SGPiS (present name SGH - Warsaw School of Economics) in Warsaw with the rights of certified auditor.

She worked in industry, her last position being Economic Director.

Member of the Management Board of Bank Millennium since 17 July 1989. Supervises the area of finance and reporting, accounting control, taxes, legal, administration and infrastructure as well as custody.

## 5. Wojciech Haase - Member of the Management Board



Mr. Wojciech Haase graduated from the Faculty of Production Economics at Gdańsk University.

He worked at the National Bank of Poland in Gdańsk to be then transferred to the group organising Bank Gdański SA. In 1989-1997 he worked at Bank Gdański SA - first in the Credit Department and then in the Treasury Department. From 1993 he was Deputy Chairman of the Management Board of Bank Gdański SA and then acting Chairman of the Management Board of that Bank.

Since 27 June 1997 Member of the Management Board of Bank Millennium. Supervises the area of risk and credit decisions.

## 6. Andrzej Gliński - Member of the Management Board



Mr. Andrzej Gliński graduated from Poznań University of Technology (1994) and completed his post-graduate studies in banking and finance at the Warsaw School of Economics. He has worked in the financial sector for more than 10 years: he worked at Bank Handlowy S.A. in Warsaw - in management positions as Branch Director and Sales Director in the Assets Financing Department.

Between 2001-2004 he was Vice President of Handlowy Leasing S.A. He has been working in the Bank Millennium Group since 2004, first as Chairman of Millennium Leasing Sp. z o.o. and next as Head of Corporate Banking Area at Bank Millennium SA.

Member of the Management Board since 22 April 2010. Supervises the corporate banking area.

## 7. Maria Jose Campos - Member of the Management Board



Maria Jose Henriques Barreto De Matos De Campos graduated in the field of Electronics and Telecommunications from Aveiro University (1990), Portugal. She started her professional career in the same year at an electronics and telecommunications R&D company. In 1994 she joined the Macao Post Office and Telecommunications Authority, heading its IT division, supporting both the postal bank and mail services.

She joined Millennium BCP Group in 1999, initially integrating the operational IT platform of Banco Comercial de Macao, as head of the IT division. Then, from 2001 she was responsible in Bank Millennium S.A. for the IT Area. From 2006 she had also responsibility in BCP Group for IT Europe, a division at group level supervising the IT areas for European operations.

Since 22 July 2011 Member of the Management Board of Bank Millennium. Supervises the area of IT, processes and operations as well as quality.

The present term of office of the Bank's Management Board shall end as of the date of the General Meeting of Shareholders approving the financial report for the financial year 2014.

### **Remuneration of Management Board**

Determination of the terms and conditions of contracts and remuneration of the Management Board Members falls under powers of the Supervisory Board. The Personnel Committee of the Supervisory Board considers cases relative to principles of compensation and levels of remuneration for the Management Board Members.

The remuneration of the Members of the Management Board consists of a fixed and a variable part. The fixed part is the base salary defined as a fixed amount for each Member of the Management Board. The variable part may comprise an annual bonus, which depends on the Bank's performance compared to the yearly budget and to the performance of peer banks and an individual evaluation of a Member of the Management Board by the Personnel Committee.

Decisions concerning the granting of bonus to Management Board Members are taken by the Personnel Committee of the Supervisory Board following an analysis of performance concerning

financial criteria:

- execution of planned budgets and ratios for the area of activity under management,
- comparison with competitors in the same segment of the market,
- market business criteria defined for the period;

as well as non-financial criteria, in particular:

- overall management quality in the area of responsibility,
- effective leadership and contribution to the Bank's development,
- management and supervision over units in the area of responsibility.

The bonus pool for payments of bonus to Management Board Members may not exceed 100% of the value of total annual salaries and 2% of Consolidated Net Profit of Millennium Group.

Granting and payment of 50% of the value of variable components of remuneration is done only after the end of the relevant period and after announcement of financial results, while payment of the remaining 50% of variable remuneration shall be deferred and paid in three equal annual instalments. Members of the Management Board shall receive each part of the awarded bonus - paid in the year coming after the assessment period and deferred - half in cash and half in a financial instrument, the value of which relates to the value of shares of Bank Millennium. By the date of publication of the Annual Report, the Personnel Committee of the Supervisory Board had not taken any decision on the value of variable remuneration for Management Board Members for 2014.

The total remuneration for 2014 of all Members of the Management Board performing functions in this year was 15.411,7 thous. PLN. The said amount includes remuneration, annual bonus for 2012 and 2013 in the amount of 4.749,3 thous. PLN and additional benefits in the amount of 1.795,7 thous. PLN.

In the period from 01.01.2014 to 31.12.2014 a provision was established for annual bonus in the amount of 9.294 thous. PLN.

**Remuneration, bonuses or benefits paid out to Members of the Management Board in 2014 (in thous. PLN)**

Name and Surname	Remuneration in 2014 plus annual bonus for 2012 and 2013	Benefits	Total
Joao Bras Jorge	2 588,53	1 154,83	3 743,36
Fernando Bicho	2 007,64	65,71	2 073,35
Artur Klimczak	2 210,78	9,82	2 220,60
Julianna Boniuk-Gorzelańczyk	1 703,56	70,78	1 774,34
Wojciech Haase	1 700,00	83,48	1 783,48
Andrzej Gliński	1 701,98	25,07	1 727,05
Maria Jose Campos	1 703,56	385,97	2 089,53
<b>Total:</b>	<b>13 616,05</b>	<b>1 795,66</b>	<b>15 411,71</b>

**Bank shares held by Members of the Management Board (performing functions on 31 December 2014)**

Name and Surname	Function	No. of shares, as on 31.12.2014	No. of shares, as on 31.12.2013
Joao Bras Jorge	Chairman of the Management Board	51.000	0
Fernando Bicho	Deputy Chairman of the Management Board	0	0

Artur Klimczak	Deputy Chairman of the Management Board	0	0
Julianna Boniuk-Gorzelańczyk	Member of the Management Board	492.248	492.248
Wojciech Haase	Member of the Management Board	7.494	7.494
Andrzej Gliński	Member of the Management Board	0	0
Maria Jose Campos	Member of the Management Board	0	0
Jerzy Andrzejewicz	Proxy	6.260	6.260

## IX.5. Internal Control, External Audit and Compliance Policy

### Internal control system

The Bank has an internal control system adjusted to the organisational structure whose scope covers the organisational units of the Bank's head office, branches and subsidiaries. This system comprises internal control procedures defined in the form of internal control bylaws for particular units of the Bank, and internal control mechanisms which cover, among others, control principles, limits and procedures, and any other types of operations whose purpose is to control the quality and correctness of the tasks implemented at the Bank.

The Internal Audit Department is a specialist unit of institutional control whose purpose is an independent and objective assessment of adequacy, correctness and effectiveness of the internal control and management systems, including risk management. In particular, this is connected with the assessment of quality, correctness and security of running banking operations. In implementing its mission Internal Audit takes into account strategic objectives and tasks of the organisation specified by the Management Board and Supervisory Board of the Bank. The audit process is implemented according to the Internal Audit Methodology fostering international standards of internal audit and good banking practices.

The activity of Internal Audit is planned and based on an annual audit plan. The basis of the planning process is the assessment of risk of particular areas and processes at the Bank in order to identify increased risk and support the specification of priorities and resources for the implementation of tasks. The planning process takes into account consultations with higher level management and owners of key processes. The annual audit plan is approved by the Audit Committee of the Bank's Supervisory Board and implemented on a quarterly basis by experienced and highly qualified professionals.

Internal audit provides opinions on regulations being implemented and updated at the Bank, it independently and objectively assesses and advises particular units with respect to the audited area and builds positive relations with audited units in order to work out common added value to streamline the Bank's operations. Advisory activities can be provided, if they do not undermine the objectiveness and independence of the internal auditor.

In 2014, the Internal Audit Department implemented tasks at the Bank, the Bank's subsidiaries, external entities to which the Bank, to the extent permissible by regulations, outsourced banking and bank-related operations, as well as within the BCP Group. The planned activity of the Department covered among others audits of key business and support processes, as well as financial audits, outlet audits and those of compliance with external regulatory environment. The tasks performed by the Internal Audit Department also include investigations and spot checking (prevention). The Internal Audit Department is an independent unit reporting to the Chairman of the Management Board of the Bank and the results of its activities are reported by it to the Audit Committee of the Supervisory Board and the Supervisory Board of the Bank. The results of a review of the entire internal control system are also regularly presented and reviewed by the Audit Committee of the Supervisory Board of the Bank.

## Internal Control System with respect to the Process of Preparing Financial Reports

Solutions described above regarding internal control system protect to a significant extent the Bank against financial reporting errors and provide the Bank Management with information facilitating evaluation of preparation of financial reports or its correctness, efficiency and security in order to ensure the highest possible effectiveness in managing identified risks accompanying the process.

The internal control system, introduced by the Management Board of the Bank and incorporating the financial report preparation process, has been designed to facilitate the controlling of process risk while maintaining appropriate supervision of correctness of the gathering, processing and presentation of data necessary for preparation of financial reports in keeping with effective laws.

According to effective laws, the Bank's reports (non-consolidated) and those of the Bank Capital Group (consolidated) are subject to, respectively: review (semi-annual statements) or audit (annual statements), performed by an independent entity authorised to audit financial statements - i.e. the External Auditor. The External Auditor is selected by the Supervisory Board on the basis of a recommendation issued by the Audit Committee of the Supervisory Board. In addition, considering the quality of financial data presented in remaining published quarterly reports, the Bank, jointly with the External Auditor, implemented cooperation procedures ensuring the consultation of important issues connected with recognition of economic events in the Bank accounts and financial reports, on a current basis. At the meetings of the Audit Committee of the Supervisory Board the External Auditor presents key findings relative to financial reporting. Furthermore, the external auditing firm also performed, in 2014, a review of the adequacy and effectiveness of a part of the Bank's internal control system supporting the financial information preparation and publication process (financial reporting) and issued relevant opinions. In 2014 the Bank's External Auditor was PricewaterhouseCoopers Sp. z o.o. In October 2014, the Bank Supervisory Board decided to select PricewaterhouseCoopers Sp. z o.o to be the Bank's External Auditor in 2015. The Bank is covered by the consolidated financial statement of the BCP Group. Therefore, the annual review of the Bank's system of internal control in support of the process of preparing and publishing financial information is also subject to the terms and requirements of consolidated supervision, which is performed by the Bank of Portugal.

## Information on the agreements with the entity authorised to audit financial reports

In 2014 the audit of Bank's financial statements was performed by PricewaterhouseCoopers sp. z o.o. On 24 October 2013 the Supervisory Board of the Bank adopted a resolution on selection of PricewaterhouseCoopers sp. z o.o. to perform audits of annual financial statements of Bank Millennium and Bank Millennium Group for 2014. The audit agreement was concluded on 22 January 2014.

Remuneration received by auditor on account of services provided to the Capital Group of Bank Millennium S.A under concluded agreements.

Auditor's Remuneration (in PLN '000)	2014	2013
Examination of annual financial statement	555	1 229
Certification services, including review of financial statement	1 233	1 182
Tax advisory services	0	0
Other services	20	0

## Compliance policy

Lack of legal compliance of internal regulations and the ensuing risk of legal or regulatory sanctions, material losses or reputation risk is one of the areas threatening the activity of every bank. Therefore Bank Millennium has the Compliance Department, the task of which is to ensure compliance with Acts of Law, secondary legislation, rules, related self-regulatory organisation standards as well as codes of

conduct, relating to banking activity. Monitoring compliance with both internal as well as external regulations, Bank Millennium Group considers the following to be particularly important:

- Preventing money laundering and financing of terrorism;
- Ensuring consistency of Bank Millennium's internal normative acts with generally binding laws as well as recommendations issued by supervisory authorities,
- Managing conflicts of interest,
- Observance of ethical principles,
- Restricting personal transactions and protecting confidential information related to Bank Millennium, financial instruments issued by the Bank as well as information connected with purchase/sale of such instruments.
- monitoring and ensuring compliance of the investment products covered by MiFID.

Companies from Bank Millennium Group undertake appropriate actions for the purpose of ongoing and continuous tracking of changes occurring in generally binding legal regulations as well as recommendations and guidance given by supervisory authorities, both national as well as of the European Union.

For the purpose of ensuring compliance of internal normative acts with generally binding legal regulations the solutions adopted by Bank Millennium Group reflect the need for periodic reviews of all internal normative acts, binding in the Group.

The scope of actions undertaken by the Group may generate a conflict of interest between these actions and the interests of Customers. The Group's main principle is to take all reasonable steps to identify a conflict of interest between the Group and its Customers, as well as between individual Customers, and also to establish rules ensuring that such conflicts have no adverse impact on Customers' interests.

Companies from Bank Millennium Group undertake also appropriate actions to ensure conduct concerning personal transactions, which is compliant with standards and laws. These actions and measures are meant to, according to the circumstances, to restrict or prevent performance of personal transactions by Relevant Persons in situations, which may cause a conflict of interest or be involved with access to confidential information or to data about Customers' transactions. Shares of Bank Millennium are admitted to public trading on the Warsaw Stock Exchange. Such status requires special attention and observance of the obligation to maintain highest standards for transparency of financial markets. It is the policy of Bank Millennium Group to maintain strict control as regards protection of the flow of Confidential Information. The Bank forbids use and disclosure of Confidential Information in whatever form. Purchasing and selling the Bank's shares, derivative rights concerning the Bank's shares or any other financial instruments thereto related is forbidden during closed periods.

The Anti-Money Laundering and Counter Terrorism Financing Programme (AML/CTF), applied by Bank Millennium, is a comprehensive system of identification of threats related to money laundering crimes.

Actions launched under this programme include in particular:

- application of financial security measures to Customers, depending on the degree of risk and based on „Know your Client” or KYC principle - the key concept of the programme,
- transaction registration and reporting,
- identification of suspected transactions,
- cooperation with the General Inspector of Financial Information.

Bank Millennium adjusts its reports to the analysis of suspected transactions on the on-going basis, taking into account up-to-date patterns (sectors, cash-flow routes, Customer behaviour) for effective identification and reporting of transactions suspected of money laundering.

Our internal procedures, organisational solutions and employee training programmes ensure efficient operation of the Programme.

With view to protecting Clients who invest their funds in investment products with varied degree of risk, Bank Millennium strictly monitors compliance of these products, their offering and handling process with relevant internal regulations, laws and external guidelines - on the domestic and European Union level (MiFID).