

**REPORT CONCERNING THE PRINCIPLES  
OF CORPORATE GOVERNANCE  
IN BANK MILLENNIUM IN 2017**

**Millennium**  
bank



## PRINCIPLES OF CORPORATE GOVERNANCE AT BANK MILLENNIUM

### 1. Statement on the Principles of Corporate Governance applied in 2017.

Corporate governance is a set of rules addressed to governing bodies of companies and their members as well as defining relations with shareholders and investors. Application of corporate governance principles increases transparency of company operations and strengthens protection of shareholder rights, also relative issues not regulated by generally applicable laws. The set of rules covering the area of Polish financial institutions and companies listed on the Warsaw Stock Exchange is composed in particular of “2016 Good Practices of Companies Listed on WSE” adopted by the Board of the Warsaw Stock Exchange and “Principles of Corporate Governance for Supervised Institutions” adopted by Polish Financial Supervision Authority.

Good Practices of Companies Listed on WSE 2016 are stipulated in the document effective since 1st January 2016. The complete document is published on the WSE web site, at [https://www.gpw.pl/pub/GPW/onas/DPSN2016\\_EN.pdf](https://www.gpw.pl/pub/GPW/onas/DPSN2016_EN.pdf) and the Bank’s web site at <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The fundamental standard of the above-mentioned Good Practices is the „comply or explain” rule. It means that the company is obliged to apply the principles stipulated in the document and in the event of deviation from use of a particular principle, to clarify the causes of such deviation and to make this fact publicly known in the form of a report by using the WSE Electronic Information Database.

In 2017 the Bank observed all the principles contained in the Good Practices except one rule provided for in Recommendation IV.R.2 items 2 and 3, regarding ensuring the shareholders with opportunity to participate in General Meetings of Shareholders with the use of real-time two-way electronic 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 and exercise, in person or via proxy, their voting rights in the course of the GSM. In the Bank’s opinion the implementation of this rule during a General Meeting carries with itself technical and legal risks to the correct and efficient conducting of the General Meeting. Avoiding these threats constitutes a bigger value for the shareholders than the implementation of the rule from Chapter IV of Recommendation IV.R.2, item 2 of Good Practices. At the same time ever since 2008 the Bank has been providing real-time online broadcasting of the proceedings of the GSM, in accordance with the requirement specified in Chapter IV, Recommendation IV.R.2 item 1 of Good Practices. Meanwhile 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.

Guided by the principle of transparency of its actions in shaping corporate and investor relations as well as the highest quality of communication with shareholders, otherwise the Bank was complying with the Good Practices in 2017. In the “Information on application by the company of recommendations and principles contained in the Good Practices of Companies Listed on WSE 2016” published on the Bank’s website, the Bank confirmed that it follows recommendations provided for in the Good Practices.

Since the beginning of 2015, the Bank as a financial institution is also subject to the above mentioned Principles of Corporate Governance for Supervised Institutions, which are available on the website of KNF at: [https://www.knf.gov.pl/knf/en/komponenty/img/principles\\_of\\_corporate\\_governance\\_39736.pdf](https://www.knf.gov.pl/knf/en/komponenty/img/principles_of_corporate_governance_39736.pdf) and the Bank’s website at: <https://www.bankmillennium.pl/about-the-bank/corporate-bodies-and-governance>.

The Bank’s Management Board and the Supervisory Board adopted this resolutions on application of the Principles, with the exception of those stipulated in:

- 1) § 8 sect. 4 - principle ordering provision of the possibility to electronically take active part in a meeting of the decision-making body,
- 2) § 16 sect. 1 and § 24 sect. 1 - principles concerning holding of meetings of the Bank’s bodies (Management Board and Supervisory Board) in the Polish language.

With reference to lack of the possibility to electronically take active part in a meeting of the GMS, the position of the Management Board and Supervisory Board is a repetition of the statement made with respect to the principles existing in the Good Practices - as referred to above.

With respect to the principles of holding meetings of the Management Board and Supervisory Board in the Polish language the Bank is of the view that knowledge of the English by members of the Management Board enables full mutual understanding and the proper level of communication during the meetings. Moreover the practically applied principle of holding meetings of the Supervisory Board both in Polish as well as in English with assurance of essential assistance of an interpreter also ensures mutual understanding and the proper level of communication.

The GMS in its resolution passed on 21st May 2015 expressed a positive opinion regarding the position of the Management Board and Supervisory Board of the Bank with respect to application of the Principles. At the same time the GMS in the aforementioned resolution regarding principles addressed to the shareholders stated that it is of the view that exercising them should remain within the framework of generally applicable legal regulations, while whenever the Management Board or the Supervisory Board, acting within their powers, submit matters covered by these principles, requesting consideration of specific matters by GSM, then they will be considered with reflection of the circumstances of such submission. Furthermore, GMS, by its Resolution of 31 March 2017, accepted the assessment of compliance with the Principles and that of the manner of performance of information duties regarding compliance with Good Practices, as presented by the Supervisory Board in its Report on the Bank Millennium S.A. Supervisory Board activities in 2016.

During the reporting period the Bank for the tenth consecutive time was included in the group of companies in RESPECT Index - Central-Eastern Europe's first index of socially responsible companies. Following the review made in December 2017 the Index comprised only 28 companies from among all the companies listed on WSE. The companies comprising the Index operate on the basis of best standards of corporate governance, information policy and investor relations, including ecological, social and employee issues.

## 2. Shareholders and General Meeting of Shareholders

The General Meeting is the highest body of the Bank. It operates on the grounds of the imperative laws, and in particular Code of Commercial Companies as well as the Banking Law. The Articles of Association of the Bank and the Regulations of the General Meeting, i.e. internal provisions of the Bank defining the operation of the General Meeting, are available on the Bank's website in the bookmark "About the Bank > Corporate bodies and governance". These documents define in a detailed manner the operation of the General Meeting and scope of its competencies as well as indicate specific rights of the shareholders in the course of the debates of the General Meeting. The competencies of the General Meeting include inter alia amendments to the Articles of Association, including change in the amount of the share capital.

As of 31st December 2017 the Bank's shareholders' equity comprised 1,213,116,777 shares (with nominal value of PLN 1 each). Presented below is information about shareholders holding directly or indirectly substantial blocks of shares together with indication of the number of shares held by them, their participation in shareholders' equity and in the total number of votes at the Bank's GMS. Due to the fact that the Bank is a public company whose shares are traded on the Warsaw Stock Exchange the Bank does not have detailed information about structure of shareholders holding less than 5% share in shareholders' equity capitals. According to information available, as on 31st December 2017, the Bank had three shareholders holding more than 5% of votes on GM.

Banco Comercial Portugues S.A., the largest private Portuguese bank - as the strategic investor holds 50.10% of all shares of the Bank. The Bank's significant shareholders are also: Nationale-Nederlanden Otwarty Fundusz Emerytalny (former ING OFE), which as of 31st December 2017 held 8.99% shares of the Bank and AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK holding 5.44% shares of the Bank.

The remaining shares i.e. 35.47% of share capital are widely distributed among Polish and foreign shareholders, both institutional as well as private.

### Shareholders of the Bank as of 31<sup>st</sup> December 2017.

Shareholder	Number of shares	% stake in shareholders' equity	Number of votes	% participation in votes at GMS
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden OFE (d. ING OFE)	109 020 881	8.99	109 020 881	8.99
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	66 018 868	5.44	68 018 868	5.44

## Shareholders of the Bank as of 31<sup>st</sup> December 2016

Shareholder	Number of shares	% stake in shareholders' equity	Number of votes	% participation in votes at GMS
Banco Comercial Portugues S.A.	607 771 505	50.10	607 771 505	50.10
Nationale-Nederlanden OFE (d. ING OFE)	120 634 080	9.94	120 634 080	9.94
AVIVA Otwarty Fundusz Emerytalny AVIVA BZ WBK	66 136 567	5.45	66 136 567	5.45

Data in the tables were ascertained according to the rules described below. To the extent concerning BCP these are data collected in connection with registration of shareholders authorised to take part in the Bank's GSM convened for, respectively, 31<sup>st</sup> of March 2017 and 31<sup>st</sup> of May 2016.

As regards NN OFE, the number of shares and their stake in the Bank's share capital was calculated on the basis of the Annual Structure of Assets of the Fund as of 31<sup>st</sup> of December 2016 and 29<sup>th</sup> of December 2017, published on the website [www.nn.pl](http://www.nn.pl). Meanwhile data concerning AVIVA OFE - on the basis of the Annual Structure of Assets of the Fund as of 31<sup>st</sup> of December 2016 and 29<sup>th</sup> of December 2017, as published on the website [www.aviva.pl](http://www.aviva.pl). For the purpose of making the above mentioned calculations, for 2017 the volume weighted average price (VWAP) of the Bank's share was taken at PLN 8,9053 and for 2016 simply average of the Bank's share was taken at PLN 5,1481.

BCP, as the majority shareholder, is exercising shareholder's rights specified in the Act of 15<sup>th</sup> September 2000 - the Code of Commercial Companies and in the Bank's Articles of Association. BCP holds corporate control over the Bank. By holding the majority of votes at GMS it can exercise decisive influence on decisions regarding the most important corporate matters such as change of the Bank's Articles of Association, issue of new shares of the Bank, reduction of the Bank's shareholders' equity, issue of convertible bonds, payment of dividend and other activities, which in accordance with Code of Commercial Companies require an ordinary or qualified majority of votes at the GMS. BCP also holds a sufficient number of votes to appoint all members of the Supervisory Board, which in turn appoints members of the Management Board. Due to the above corporate authority BCP has the capacity to exercise significant control over the Bank's activity.

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 generally applicable 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 61,800 are preferential in as much as one share entitles to two votes at the 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 of 31<sup>st</sup> December 2017.

Founding shares are subject to disposal restrictions, i.e. their disposal subject to 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<sup>th</sup> August 1992 as the first among all banks. Currently 1 213 008 737 shares with code ISIN PLBIG0000016 (WSE symbol: MIL; Reuters: MILP.WA; Bloomberg: MIL PW) are traded on the stock exchange.

In addition, shareholders have 108,040 registered shares of which 61,800 are founder's shares, privileged (right to two votes on GMS). Thus, total number of Bank Millennium shares amounts to 1.213.116.777 and total number of votes on GMS amounts to 1.213.178.577.

### 3. Supervisory Board

The Supervisory Board is a body exercising constant 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 as well as the Bylaws available on the Bank's website under the bookmark "About the Bank > Corporate bodies and governance". 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 its members present. In the case of equal votes the vote of the Chairman of the Supervisory Board shall prevail.

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

On 31<sup>st</sup> of March 2017, GSM discharged all Members of the Supervisory Board, performing duties in 2016, from performance of their duties in the accounting year 2016.

During the period from 1<sup>st</sup> of January to 31<sup>st</sup> of March 2017 the following persons comprised the Supervisory Board of the Bank:

1. Bogusław Kott - Chairman of the Supervisory Board,
2. Nuno Manuel da Silva Amado - Deputy Chairman of the Supervisory Board,
3. Dariusz Rosati - Secretary of the Supervisory Board,
4. Miguel de Campos Pereira de Braganca - Member of the Supervisory Board,
5. Julianna Boniuk-Gorzelańczyk - Member of the Supervisory Board,
6. Andrzej Koźmiński - Member of the Supervisory Board,
7. Agnieszka Hryniewicz-Bieniek - Member of the Supervisory Board,
8. Anna Jakubowski - Member of the Supervisory Board,
9. Grzegorz Jędrzyś - Member of the Supervisory Board,
10. Rui Manuel da Silva Teixeira - Member of the Supervisory Board,
11. David H. Klingensmith - Member of the Supervisory Board,
12. Miguel Maya Dias Pinheiro - Member of the Supervisory Board.

Mr David H. Klingensmith tendered his resignation from the function of the Member of the Supervisory Board effective as of 31<sup>st</sup> March 2017. On 31<sup>st</sup> March 2017, the General Meeting of the Bank established that the Supervisory Board would be composed of 11 Members. Therefore, as at 31<sup>st</sup> December 2017, the composition of the Supervisory Board was as follows:

#### **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<sup>th</sup> 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 is also the Member of the Supervisory Board of Yareal Polska Sp. z o.o.

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

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

From 1980 he worked at consulting (KPMG) and international banks (Citibank and Deutsche Bank) in Portugal, 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.

Deputy Chairman of the Supervisory Board of Bank Millennium S.A. since 20<sup>th</sup> April 2012.

### 3. Dariusz Rosati - Deputy Chairman and Secretary of the Supervisory Board

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

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. In 1995 - 1997 the 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 European Commission. 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. In 2001 - 2004 he was a member of the Group of Economic Policy Advisors to the President of the EU 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<sup>th</sup> May 2004.

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

Ms Julianna Boniuk-Gorzelańczyk graduated from the Faculty of Finances and Statistics at the Main School of Planning and Statistics (present name - Warsaw School of Economics) in Warsaw. She has the rights of certified auditor.

For many years she was employed in industry, moving up through many levels in her professional career.

In the Management Board of Bank Millennium S.A. since 17<sup>th</sup> July 1989 she supervised the following areas, since the Bank's creation: finances and reporting, accounting control and taxes, to be followed by: operations, IT, management information and lately also: administration and infrastructure, security and business continuity, legal, custody and fraud risk management. She was also sitting on supervisory boards of subsidiary companies.

In 1991 she participated in banking practice in Standard Merchant Bank in Johannesburg. In 1993 she received a certificate from the Austrian Banking College, while in 2003 she attended a BCP Group seminar in INSEAD, Fontainebleau, France.

Member of the Supervisory Board of Bank Millennium S.A. since 21<sup>st</sup> May 2015.

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

Mr Miguel de Campos Pereira de Bragança, has a Licenciante Degree in Management and Administration from the Catholic University of Portugal and an MBA from INSEAD.

Since 1989 he has worked at banks in Portugal, Brazil and Great Britain. Between 2008-2012 he was Director, responsible for the Financial, Accounting and Management 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.

Member of the Supervisory Board of Bank Millennium S.A. since 20<sup>th</sup> April 2012.

### 6. Agnieszka Hryniewicz-Bieniek - Member of the Supervisory Board (independent member)

Ms Agnieszka Hryniewicz-Bieniek graduated in Economics from the Warsaw School of Economics and completed post-graduate studies in Public Relations at the same School.

She built her career in new technologies as well as marketing and sales in international corporations. Her many years of marketing experience covers a variety of industries: from FMCG (Johnson&Johnson), telecommunications (Deutsche Telekom), publishing (Gruner&Jahr) and entertainment (Disney). In 2008 she

joined Google and currently oversees the company's strategy and business in Poland as Country Director. Her main responsibility is to manage Google's ads business in Poland across products and channels, and directly lead key customers and partners.

Ms A. Hryniewicz-Bieniek is a member of Advisory Committee of "Leadership Academy for Poland". Actively supports women in new technology by serving as a mentor and coach for future women leaders in the business.

Member of the Supervisory Board of Bank Millennium S.A. since 21<sup>st</sup> May 2015.

#### **7. Anna Jakubowski - Member of the Supervisory Board (independent member)**

Ms Anna Jakubowski graduated with a Bachelor of Business Administration (1990) from Wilfrid Laurier University, Waterloo, Ont. Canada.

Her professional career started with Procter & Gamble Canada (1991 - 1993), where she was the National Account Manager. Between 1993 and 1998 she held different positions, from Pharmacy Channel Manager to Trade Marketing Manager and Area Sales Manager in P&G Poland. In 1998 she became Regional Customer Business Development Manager in P&G Central Eastern Europe while between 1999 and 2007 she was New Business Development Manager and (from 2002) Strategy, Business Development Director in P&G Western Europe. She continued her career in Switzerland in the P&G the Fabric Care Division (2007 - 2009) as an Associate director: Marketing. Between 2011 and 2016 she connected her professional career with The Coca-Cola Company where she held the following positions: the International Group Marketing/Strategy Director in Coca-Cola Hellenic Bottling Company (2011 - 2013), Business Capability Director in the Coca-Cola Company (2013) and from 2013-2016 Management Board Member - Managing Director in Coca-Cola Poland Services Sp z o.o. and Franchise General Manager - Poland/Baltics The Coca-Cola Company, Management Board Member in Multivita Sp. z o. o, Management Board Member - Managing Director in Coca-Cola Balti Jookide AS. In 2018 she commenced responsibility as General Manager for Poland and Baltics for Marie Brizard Wine & Spirits Sp. z o.o.

She has also been involved with the following organizations and associations: Women's International Networking Leadership Forum - Board of Advisors (2004 - 2012), Organization of Women in International Trade - Board of Directors (2005 - 2010) and in 2008 as an Executive Vice President as well as in 2009 as the President (2005 - 2010) in Geneva Women in International Trade, across 2015-2016 she served also as a Member of the Board of Directors of American Chamber of Commerce in Poland. Currently she serves as a Management Board Member of the International Association of Advertising (IAA) in Poland (Warsaw, Poland), Patron Member in the Polish - Canadian Chamber of Commerce and Adviser and Mentor in the Global Shapers - Mentor4Starters initiative.

In 2011 she was awarded the TIAW - The World of Difference 100 Award (Recognizes individuals whose efforts have advanced the economic empowerment of women) and in 2016 she was awarded Woman of Charisma: Business & Social Enterprise Award (Poland).

Member of the Supervisory Board of Bank Millennium S.A. since 21<sup>st</sup> May 2015.

#### **8. Grzegorz Jędrys - Member of the Supervisory Board (independent member)**

Mr Grzegorz Jędrys graduated 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 G. 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.

Member of the Supervisory Board of Bank Millennium S.A. since 11<sup>th</sup> April 2013.

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

Mr Andrzej Koźmiński graduated from the Main School of Planning and Statistics (now Warsaw School of Economics) in Economics in 1963 and in 1964 graduated from Warsaw University in Sociology.

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, President of the Management Board of Międzynarodowa Szkoła Zarządzania S.A., Head of the Management Chair until 2014. 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 50 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. Since 2012 Chairman of the Scientific Council in the OPI Information Processing Centre of the Ministry of Science and Higher Education; since 2009 member of the Board of Arbiters of the Polish Chamber of Commerce and member of the Programme Council in Leopold Kronenberg Banking Foundation; since 2014 Chairman of the Team for Identification of Council Members of the National Science Centre of the Ministry of Science and Higher Education. In May 2015 he received the title of Doctor Honoris Causa from the Szczecin University and the title of Doctor Honoris Causa from ESCP Europe Board of Governors.

Member of the Supervisory Board of Bank Millennium S.A. since 1<sup>st</sup> August 2000.

#### 10. Miguel Maya Dias Pinheiro - Member of the Supervisory Board

Mr Miguel Maya Dias Pinheiro graduated from Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE) with a Licentiate Degree in Corporate Organization and Management. He also completed the Corporate Senior Management Programme (PADE) - AESE, the Advanced Management Programme - INSEAD and the Corporate Governance Programme - AESE.

From 1987 to 1990 he held commercial and financial functions in an industry sector SME. Between 1990 and 1995 he was employed by Banco Português do Atlântico, with functions in the commercial and companies areas, in charge of coordinating the Economic and Financial Research Office.

Since 1990 he has been working for BCP Group in several functions in Portugal and Spain. During the 2007 - 2009 period he was Head of the Office of the Chairman of the Executive Board of Directors of BCP. Between 2009 and 2012 he held the position of Member of the Executive Board of Directors of BCP and Member of the Board of Directors of Fundação Millennium BCP. Throughout the period from 2012 to 2016 Mr Miguel Maya held the position of Chairman of the Board of Directors of Banco Millennium Angola, S.A. In 2016, following the merger of this institution with Banco Privado Atlantico, S.A. which resulted in the creation of Banco Millennium Atlantico, S.A., Mr Miguel Maya has appointed as Vice-Chairman and Member of the Board of Directors of the new entity - position that he currently holds. Moreover, he also holds the following functions: Vice-Chairman of the Executive Committee and Member of the Board of Directors of BCP, Chairman of the Board of Directors of Interfundos - Gestao de Fundos de Investimento Imobiliario, S.A., Manager of BCP Africa, SGPS, Lda and Vice-Chairman of the Board of Directors of Banco Internacional de Moçambique, S.A.

Member of the Supervisory Board of Bank Millennium S.A. since 21<sup>st</sup> May 2015.

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

Mr Rui Manuel da Silva Teixeira has a Licentiate degree in Electrotechnical Engineering from the University of Oporto.

From 1987 he held several 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). Since 2011 he is Member of the Board of Directors and Member of the Executive Committee of Banco Comercial Portugues, Portugal.

Member of the Supervisory Board of Bank Millennium S.A. since 20<sup>th</sup> April 2012.



### **Audit Committee**

The Audit Committee is a standing committee of the Supervisory Board, established in 2000 and supporting the Supervisory Board in supervision of execution of the internal audit function in the Bank. Furthermore, the Audit Committee focuses on financial reporting, internal control and risk management at the Bank.

Pursuant to the Act of 11<sup>th</sup> of May 2017 on statutory auditors, audit firms and public oversight the Audit Committee consists of at least three Members. At least one of the Members of the Audit Committee has knowledge and skills in accounting or financial auditing. The majority of the Members of the Audit Committee, including its Chairman, are independent from the Bank. The Committee meets on a regular basis (once every quarter) and in the extraordinary mode and 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 main responsibilities of the Audit Committee include specifically: (i) monitoring the process of financial reporting, (ii) monitoring effectiveness of the internal control systems and risk management systems, and internal audit, (iii) monitoring financial audit activities and independence of the auditor and audit company, including approval of performing additional permitted services by the auditor as well as (iv) performing periodic assessment of adequacy and effectiveness of the internal control system and its selected components.

From 1<sup>st</sup> of January until 31<sup>st</sup> of March 2017 the Audit Committee was composed of the following Supervisory Board Members:

1. Grzegorz Jędryś - Chairman (independent),
2. Dariusz Rosati,
3. Julianna Boniuk-Gorzelańczyk,
4. Miguel de Campos Pereira de Bragança,
5. David H. Klingensmith (independent),
6. Bogusław Kott.

Mr David H. Klingensmith tendered his resignation from the function of the Member of the Supervisory Board effective as of 31<sup>st</sup> of March 2017. The Supervisory Board which convened on 21<sup>st</sup> of April 2017, appointed Ms Anna Jakubowski as Member of the Audit Committee. Hence, as of this day its composition was as follows:

1. Grzegorz Jędryś - Chairman (independent),
2. Dariusz Rosati,
3. Julianna Boniuk-Gorzelańczyk,
4. Miguel de Campos Pereira de Bragança,
5. Anna Jakubowski (independent),
6. Bogusław Kott.

As of 17<sup>th</sup> of October 2017 Mr Dariusz Rosati and on 21<sup>st</sup> of October 2017 Ms Julianna Boniuk-Gorzelańczyk tendered their resignations from performing their functions as Members of the Audit Committee. On 27<sup>th</sup> of October 2017, the Supervisory Board appointed Ms Agnieszka Hryniewicz-Bieniek as Member of the Audit Committee, the composition of which was as of that day as follows:

1. Grzegorz Jędryś - Chairman (independent),
2. Agnieszka Hryniewicz-Bieniek (independent),
3. Miguel de Campos Pereira de Bragança,
4. Anna Jakubowski (independent),
5. Bogusław Kott.

The composition of the Audit Committee satisfied criteria stipulated in Art. 129 section 1 and 3 of the Act on Certified Auditors.

### **Personnel Committee**

The Personnel Committee is a standing committee of the Supervisory Board, established in 2000. It's responsibilities include in particular: (I) evaluation of the candidates for Members of the Management Board, (II) establishment of the terms of employment of 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 December 2017 the composition of the Personnel (V) implementation of tasks in the area of policy of variable remuneration components.

During the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2017 the composition of the Personnel Committee was as follows:

1. Andrzej Koźmiński - Chairman.

2. Nuno Manuel da Silva Amado.
3. Miguel de Campos Pereira de Bragança.
4. Bogusław Kott.

### **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.

During the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2017 the composition of the Strategic Committee was as follows:

1. Bogusław Kott - Chairman.
2. Nuno Manuel da Silva Amado.
3. Miguel de Campos Pereira de Bragança.
4. Agnieszka Hryniewicz-Bieniek.
5. Anna Jakubowski.
6. Andrzej Koźmiński.
7. Miguel Maya Dias Pinheiro.
8. Dariusz Rosati.

### **Risk Committee**

The Risk Committee is a standing committee of the Supervisory Board. The Personnel Committee is a standing committee of the Supervisory Board, established on 4<sup>th</sup> of December 2015. Competences of the Risk Committee include tasks stipulated for such committees in the Banking Law and specified in other regulations applicable to banks as well as supervisory recommendations implemented by the Bank.

From 1<sup>st</sup> of January to 31<sup>st</sup> of March 2017 the Risk Committee composition was as follows:

1. Dariusz Rosati - Chairman,
2. Miguel de Campos Pereira de Bragança,
3. David H. Klingensmith
4. Bogusław Kott,
5. Miguel Maya Dias Pinheiro,

Mr David H. Klingensmith tendered his resignation from the function of Member of the Supervisory Board effective as of 31<sup>st</sup> of March 2017. The Supervisory Board which convened on 21<sup>st</sup> of April 2017, appointed Mr Grzegorz Jędrys as Member of the Risk Committee. Hence, as of this day its composition was as follows:

1. Dariusz Rosati - Chairman,
2. Miguel de Campos Pereira de Bragança,
3. Bogusław Kott,
4. Miguel Maya Dias Pinheiro,
5. Grzegorz Jędrys.

The Supervisory Board which convened on 27<sup>th</sup> of October 2017 appointed Mrs Julianna Boniuk-Gorzelańczyk as Member of the Risk Committee. Hence, as of this day its composition was as follows:

1. Dariusz Rosati - Chairman,
2. Miguel de Campos Pereira de Bragança,
3. Bogusław Kott,
4. Miguel Maya Dias Pinheiro,
5. Grzegorz Jędrys,
6. Julianna Boniuk-Gorzelańczyk.

According to the „Policy of Remuneration of Members of the Supervisory Board of Bank Millennium S.A.” adopted by the GMS, members of the Supervisory Board of the Bank are eligible for monthly remuneration for sitting on the Supervisory Board. The amount of the remuneration is defined by a resolution adopted by the GMS with consideration of principles stipulated in the Policy, including the principle of its adequacy given the scale of the Bank's operation. The remuneration may be diversified with consideration of function performed in the Supervisory Board and should be correlated with commitment to the work of the Supervisory Board and the

level of remuneration received by members of supervisory bodies of institutions with a similar scope and scale of operation. Irrespective of remuneration for sitting on the Supervisory Board, members of standing committees of the Supervisory Board are eligible for separate remuneration in connection with tasks performed by them in these committees. In case of delegation by the Supervisory Board of its member to permanent individual exercising of supervision, the Supervisory Board may assign to such Supervisory Board member additional remuneration for the duration of delegation, however its monthly amount cannot exceed 100% of the base remuneration for sitting on the Supervisory Board. In case of standing committees of the Supervisory Board the remuneration is payable for participation in their meetings. The total remuneration due to a Supervisory Board member for participation in meetings of committees of the Supervisory Board in a given financial year cannot exceed 100% of his base remuneration for sitting on the Supervisory Board of the Bank. In connection with the remuneration paid the Bank shall make appropriate deductions under relevant legal regulations. Each of the Supervisory Board members may make a declaration regarding refraining from collection of all or part of the remuneration. Declarations to such effect shall be submitted to the Chairman of the Supervisory Board.

#### Remuneration paid to members of the Supervisory Board in 2017 (in PLN ths)

Name and surname	Remuneration for 2017	Benefits	Total (in PLN ths)
Kott Bogusław	310.0	21.6	331.6
Koźmiński Andrzej	140.0	0.0	140.0
Rosati Dariusz	195.0	0.0	195.0
Jędrys Grzegorz	180.0	0.0	180.0
Nuno Manuel Da Silva Amado	135.0	0.0	135.0
Miguel De Campos Pereira De Braganca	180.0	0.0	180.0
Rui Manuel Da Silva Teixeira	120.0	0.0	120.0
Boniuk-Gorzelańczyk Julianna	145.0	0.0	145.0
Hryniewicz-Bieniek Agnieszka	130.0	0.0	130.0
Jakubowski Anna	145.0	0.0	145.0
David H. Klingensmith (*)	40.0	0.0	40.0
Miguel Maya Dias Pinheiro	150.0	0.0	150.0

(\*) Member of the Supervisory Board until 31<sup>st</sup> March 2017.

In 2017, Members of the Supervisory Board did not receive any remuneration or additional benefits from the Bank subsidiary companies.

#### Bank's shares held by Supervisory Board Members (performing their functions on 31<sup>st</sup> December 2017):

Name and surname	Function	Number of shares	
		at 31 Dec. 2017	at 31 Dec. 2016
Bogusław Kott	Chairman of the Supervisory Board	1000	4 465 791
Nuno Manuel da Silva Amado	Deputy Chairman of the Supervisory Board	0	0
Dariusz Rosati	Deputy Chairman and Secretary of the Supervisory Board	0	0
Julianna Boniuk - Gorzelańczyk	Member of the Supervisory Board	492 248	492 248
Miguel de Campos Pereira de Braganca	Member of the Supervisory Board	0	0
Agnieszka Hryniewicz-Bieniek	Member of the Supervisory Board	0	-
Anna Jakubowski	Member of the Supervisory Board	0	-
Grzegorz Jędrys	Member of the Supervisory Board	0	0

David H. Klingensmith	Member of the Supervisory Board	0	-
Andrzej Koźmiński	Member of the Supervisory Board	0	0
Miguel Maya Dias Pinheiro	Member of the Supervisory Board	0	-
Rui Manuel da Silva Teixeira	Member of the Supervisory Board	0	0

#### 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 in the "About the Bank > Corporate Bodies and Governance" tab. 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 ordinary majority of votes present at the Management Board meeting. 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. The Management Board is composed of at least 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 Management Board may be recalled by the Supervisory Board at any time.

The composition of the Management Board of the Bank in the period from 1<sup>st</sup> of January to 31<sup>st</sup> of December 2017 was as follows:

1. Joao Nuno Lima Bras Jorge - Chairman,
2. Fernando Maria Cardoso Rodrigues Bicho - Deputy Chairman,
3. Wojciech Haase - Member of the Management Board,
4. Andrzej Gliński - Member of the Management Board,
5. Maria Jose Henriques Barreto De Matos De Campos - Member of the Management Board,
6. Wojciech Rybak - Member of the Management Board.

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



Graduate of the Management Studies at Universidade Catolica Portuguesa and PADE Advance Management Programme under AESE.

He started his professional career as stockbroker in 1990. In the ensuing 10 years he worked in investment banking, inter alia, as Member of the Management Board at an investment bank. He also sat on the Board of the Lisbon Stock Exchange.

During 5 years, prior to his move to Poland, he held position of Head of the Retail Banking Customer Division and Coordinator of the Retail Network at Millennium bcp.

Since July 19 2006 - Member of the Management Board of Bank Millennium S.A., in the years 2006-2008 Head of the Retail Banking Division and since 2009 - Head of the Corporate Banking Area. Since April 22 2010 - Deputy Chairman of the Management Board and since October 24 2013 - Chairman of the Management Board of Bank Millennium S.A. He is responsible for the work of the Management Board, internal audit, compliance, legal support, HR management, marketing communication and public relations; electronic banking, retail marketing, call centre and telemarketing.

## 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 inter alia the 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 performed functions 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<sup>st</sup>, 2002 Member of the Management Board of Bank Millennium S.A. (CFO). He supervises treasury, accounting, financial reporting and control, taxes, capital investments, relations with investors and financial institutions, management information and central acquisition.

## 3. 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 S.A. In 1989-1997 he worked at Bank Gdański S.A. - first in the Credit Department and then in the Treasury Department. From 1993 he was Deputy Chairman of the Management Board of Bank Gdański S.A. and, next, acting Chairman of the Management Board of that Bank.

Since 27<sup>th</sup> June 1997 Member of the Management Board of Bank Millennium S.A. Since 4<sup>th</sup> of December 2015, Bank's material risk management supervisor. Moreover, he supervises risk management, risk models, credit and rating processes, recovery and treasury control.

## 4. 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 20 years: he worked at Bank Handlowy S.A. in Warsaw - on 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 S.A.

Member of the Management Board since 22<sup>th</sup> April 2010. He supervises corporate banking and its support, factoring and trade financing, structured finance and custody.

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



Ms 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 a 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<sup>th</sup> July 2011 Member of the Management Board of Bank Millennium S.A. She supervises processes

management support; products, settlements and cash management operations; IT, sales campaigns; recording, control and settlement of treasury transactions, complaints and quality of service, administration and infrastructure, security and business continuity.

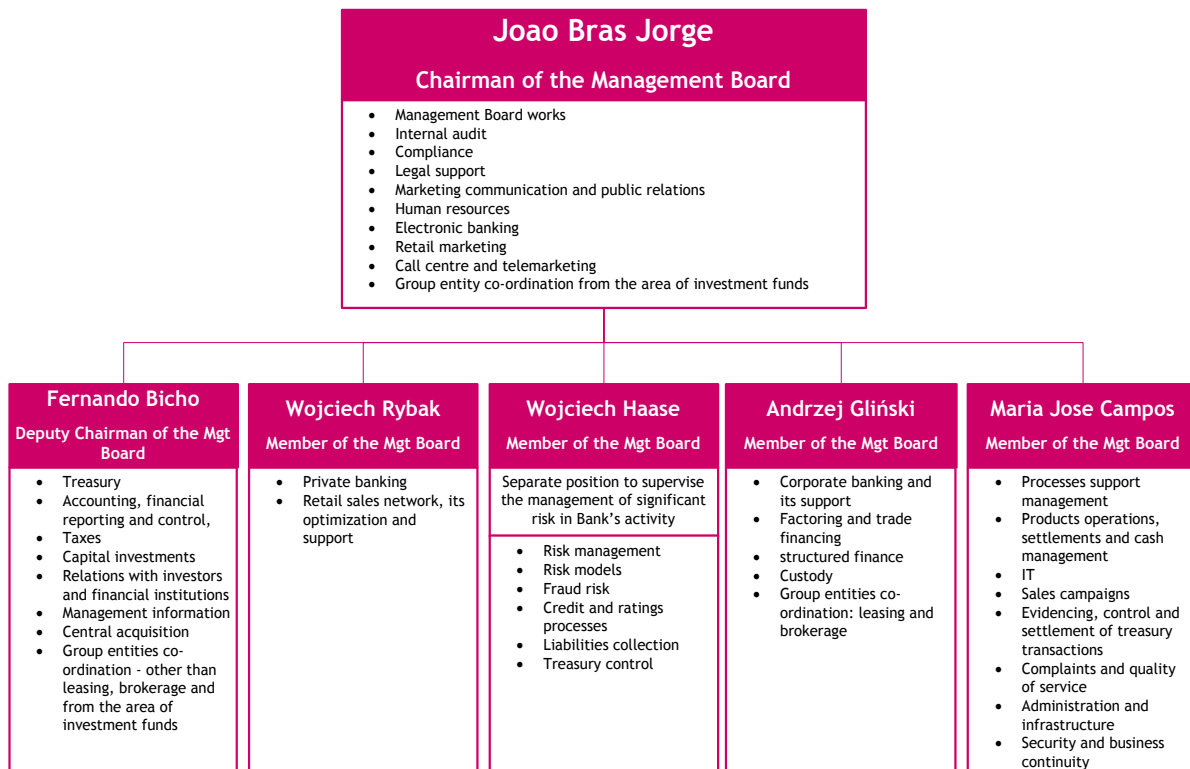
## 6. Wojciech Rybak - Member of the Management Board



Mr Wojciech Rybak graduated from economics in the University of Szczecin (1993) and Tempus - Portassist Programme of the University of Antwerp (1992).

Since the beginning of his professional career he has been linked with banking. From September 1992 until August 1994 worked in Bank Morski S.A. as Credit Inspector and, subsequently, Manager of Business Credit Team. During the period from September until November 1994 - Head of Credit Sub-unit in Bank Przemysłowo-Handlowy S.A., from December 1994 until September 1995 - specialist in the Capital Investment Department of Pomorski Bank Kredytowy S.A., and subsequently until April 1996 - Director of Branch PBB „Invest-Bank” S.A. in Szczecin. Since May 1996 he has been working in the Bank Millennium S.A. Group initially as a Director of the Bank Branch in Szczecin (until March 2001), and, subsequently, as a Director in the Bank Head Office Client Cooperation Centre (until August 2003). From September 2003, he performed the function of the Member of the Management Board of Millennium Leasing Sp. z o.o. supervising, *inter alia*, the sales network and from June 2009 until June 2016 - Chairman of Millennium Leasing Sp. z o.o. Management Board. Member of the Bank Management Board from 6<sup>th</sup> June 2016, supervising the private banking area as well as retail sales network it's optimisation and support.

Organization structure of the Bank Millennium is consistent with strategy, modern approach to business and complies with principles of corporate governance for financial institutions. The division of tasks between the members of Management Board of the Bank is presented on the following diagram:



The principles of remuneration of the Management Board Members with the amount of salaries, bonuses and other benefits received in 2017 can be found in chapter IX of this report, Part 3 entitled "Remuneration policy".

Bank shares held by Members of the Management Board (performing functions on 31<sup>st</sup> of December 2017):

Name and Surname	Function	Number of shares 31 Dec. 2017	Number of shares 31 Dec. 2016
Joao Bras Jorge	Chairman of the Management Board	111 000	111 000
Fernando Bicho	Deputy Chairman of the Management Board	0	0
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
Wojciech Rybak	Member of the Management Board	0	-

## 5. Internal Control System and external Auditor

### *Internal Control System*

The Bank has the internal control system covering all organizational units of the Bank and its subsidiaries. It is organized in the framework of three independent levels of the so-called *three lines of defence*.

On the *first line of defence* there is risk management within the Bank's operational units. *The second line of defence* consists of units responsible for risk management in the Bank and Compliance Department in the scope of non-compliance risk management. Within *the third line of defence*, Internal Audit Department is performing. In all *three lines of defence*, employees, as part of their assigned duties, respectively: use control mechanisms or independently monitor their functioning.

The Bank's internal control system is functioning in a manner that ensures achievement of objectives, that include: effectiveness and efficiency of Bank's operations, credibility of financial reporting, obeying Bank's risk management principles and compliance of the Bank's operations with law, internal regulations and market standards.

The Bank has control mechanisms, adjusted to the above-mentioned objectives of the internal control system, the degree of process complexity, the risk of irregularities occurring, the Bank's activities specifics, organizational solutions implemented, system solutions used and available resources. For identified key processes there was introduced documenting of connection of key control mechanisms with objectives of internal control system and estimated risk of non-achieving them in the form of so-called internal control matrixes. Control matrixes describe also the way of monitoring key controls. During the annual review of the Bank's internal control system, on the basis of updated internal control matrixes for significant processes, the Bank's Internal Control System Matrix is created, that is presented to the Audit Committee of the Supervisory Board and the Supervisory Board of the Bank.

Supervision and annual assessment of the implementation and ensuring of the functioning of adequate and effective internal control system is exercised by the Supervisory Board of the Bank.

### *Internal Audit (third line of defence)*

Internal Audit Department is within of the internal control system, a specialized unit of the *third line of defence*, which carries out an independent review of processes and internal control in the Bank and the BM Group, verifying the implementation of tasks assigned to the first and second line of defence. The aim of the activities performed is to provide the Bank's Management with assessment of effectiveness and adequacy of the risk management system and the internal control system, as well as adding value and streamlining processes in the Bank and the BM Group. Within 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 performed according to the Audit Charter and Internal Audit Methodology, fostering international standards of internal audit and good banking practices.

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 to the Audit Committee of the Supervisory Board and the Supervisory Board of the Bank.

The activity of Internal Audit is planned, continuous, resulting from the implementation of mission and objectives, as well as adopted Department's Strategy activity, based on an annual audit plan. The basis of the planning process is the assessment of risk of particular areas and processes of 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 Bank's Supervisory Board and implemented on a quarterly basis by experienced and highly qualified professionals.

Internal Audit performs independent and objective assurance and consulting activities. Assurance activity is carried out as part of process audits, independent review function, outlets audits, preventive audits and explanatory proceedings. The assurance activity includes assessment of the adequacy and effectiveness of risk management system and internal control system in all areas of banking activity. Advisory services are aimed at supporting the organization in achieving its goals and are provided, as far as their nature does not threaten independence, effectiveness and objectivity of assurance activity of Internal Audit, nor is it related to the design of control mechanisms and risk management system.

In 2017, Internal Audit Department performed audit tasks in 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 and also financial audits, outlet audits and those of compliance with external regulatory requirements. The tasks performed by Internal Audit Department also included investigations and prevention controls.

The results of the review of functioning of the entire internal control system as well as selected components, carried out by Internal Audit Department with cooperation of External Auditor of BCP Group, are presented cyclically and are subject to evaluation by the Audit Committee of the Bank's Supervisory Board and once a year by the Bank's Supervisory Board.

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

Implemented solutions regarding internal control system protect to a significant extent the Bank against financial reporting errors and provide the Bank's Management with information facilitating evaluation of correctness, efficiency and security of process of preparation of financial reports, as well as in order to ensure the highest possible effectiveness in managing identified type of 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 control of process risk while maintaining appropriate supervision of correctness of gathering, processing and presentation of data necessary for preparation of financial reports in keeping with effective laws.

An important element of the internal control system in the process of preparing financial reports is cooperation of the Audit Committee of the Bank's Supervisory Board with an auditing company providing financial audit services. These rules are defined in the approved by the Audit Committee's *Policy of Selecting and Cooperation with Audit Firms*. It sets out the principles for the selection of an audit firm to carry out the audit of annual consolidated financial statements of the Bank Millennium Capital Group and annual financial statements of the Bank (statutory audit), as well as rules of providing services and cooperation with auditing companies.

The External Auditor is selected by the Supervisory Board on the basis of 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, consults with the Audit Committee with draft reports and proposes an approach to the audit of the annual financial statement.

In 2017 the Bank's External Auditor was PricewaterhouseCoopers Sp. z o.o. In October 2017, the Bank Supervisory Board decided to select PricewaterhouseCoopers Sp. z o.o. to be the Bank's External Auditor in 2018.

The Bank is covered by the consolidated financial statement of the BCP Group. Therefore, the annual review of the Bank's internal control system supporting the process of preparing and disclosure of financial information is also subject to the terms and requirements of consolidated supervision, which is performed by the Bank of Portugal and the European Central Bank. The BCP Group External Auditor participated in 2017 in the review of adequacy and effectiveness of a part of the Bank's internal control system supporting the process of preparing and disclosure of financial information (financial reporting) and issued an appropriate opinion in this respect.



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

In 2017 the audit of Bank's financial statements was performed by PricewaterhouseCoopers sp. z o.o. On 2 December 2016 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 2017. The audit agreement was concluded on 11 April 2017.

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)	2017		2016	
	Bank	Subsidiaries	Bank	Subsidiaries
Statutory audit within the meaning of art. 2 point 1 of the Act on Certified Auditors	744	321	599	317
Other assurance services	406	113	469	109
Tax advisory services				
Other services	100			

Services other than statutory audit:

- a review of the stand-alone and consolidated interim condensed financial statements of Bank Millennium S.A. drawn up as at June 30, 2017.
- review of the interim condensed financial statements of Millennium TFI SA investment funds prepared as at June 30, 2017.
- audit of the consolidation package prepared as at December 31, 2017, related to the audit of the consolidated financial statements of BCP Group.
- review of the consolidation package as at June 30, 2017 and September 30, 2017, related to the review of the consolidated financial statements of BCP Group.
- verification of the consolidation package prepared as at 31 March 2017.
- attestation service regarding requirements for customer asset retention for 2017 for Bank Millennium S.A. and Dom Maklerski Banku Millennium S.A.
- an assurance service regarding the assessment of the adequacy of the risk management system in 2017 at Millennium TFI S.A.
- consultancy service on regulatory requirements regarding the recovery plan