

Bank Millennium S.A.'s Tax Policy

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Glossary of terms

Bank	Bank Millennium S.A. with its registered office for tax purposes in the Republic of Poland, tax identification number 5260212931
DAW	The Internal Audit Department
DZZ	The Compliance Department
DPD	The Tax Department
Tax function	functionally separated processes within the organisational units of the Bank's Head Office involving correct calculation and payment of Bank's tax liabilities, as well as the performance of related reporting processes
GRI 207: Tax	a standard developed by the GSSB called <i>GRI 207: Tax 2019</i> on corporate tax transparency published on https://www.globalreporting.org/standards/download-the-standards/
Bank Millennium Group	The Bank together with all fully consolidated subsidiaries for financial reporting purposes
BCP Group	capital group the Bank is part of, with its parent company of Banco Comercial Português, S.A. with its head office for tax purposes in Portugal and tax identification number 501525882
GSSB	<i>Global Sustainability Standards Board</i> - a body within the Global Reporting Initiative (GRI) which, in cooperation with representatives of various non-profit organisations and users of public company reports from all over the world, develops standards to ensure sustainability, among others, in the area of transparency of non-financial information also in the area of corporate tax matters (more details about GRI https://www.globalreporting.org/about-gri/)
Information on the adopted tax strategy	annual information referred to in Article 27c of the Corporate Income Tax Act of 15 February 1992
An organisational unit of the Bank	a unit employing employees operating within the organisational structure of the Bank, both at the Head Office and branches (Bank's field offices); this term also includes the role of the Process Owner
KAS	The Polish National Revenue Administration
Head of the organisational unit	an employee entrusted with the management of a particular organisational unit of the Bank
Tax advantage	a term having the meaning resulting from Article 3(18) and Article 86a § 1(4)(a-b) of the Tax Ordinance

NAFP	an independent audit of the tax function carried out by an external auditor or DAW
Tax obligations	the Bank's obligations under the tax laws
Tax area	the Bank's activities involving the performance of tax obligations, mainly reporting activities carried out by DPD
Tax Ordinance	The Act of 29 August 1997 - Tax Ordinance (Journal of Laws of 2020, item 1325, as amended)
Tax planning	activities undertaken as part of the tax function to forecast the tax charges of future periods or future one-off events, e.g. restructuring transactions
Employee	a person with an employment relationship with the Bank
Tax process	the roles and responsibilities of particular organisational units of the Bank, as provided for in the Bank's internal laws, related to the performance of the tax obligations imposed on the Bank
Risk profile	the types of tax risk to which the Bank is exposed and the degree of exposure to these risks (the Bank graduates such risks at 4 levels: LOW, MEDIUM, MEDIUM-HIGH and HIGH, where MEDIUM-HIGH AND HIGH give grounds for establishing a provision)
Co-operation Programme	a form of cooperation with KAS, concluded under a cooperation agreement referred to in Article 20s of the Tax Ordinance, to ensure compliance with tax law by a taxpayer on the conditions of transparency of actions taken, mutual trust and understanding between the tax authority and the taxpayer, taking into account the nature of the taxpayer's business
A promoter of the tax scheme	the term with the meaning resulting from Article 86a § 1(8) and (10) of the Tax Ordinance
Tax risk	risk of acting in breach of tax law or contrary to the principles or objectives of the tax system (tax compliance risk)
RWNP	The Internal Tax Supervision Framework referred to in the National Revenue Administration document "Cooperation Programme - Guidelines on the Internal Tax Supervision Framework - Version 2.0" of June 2020, published at https://www.podatki.gov.pl/program-wspoldzialania/dokumenty-programu-wspoldzialania/
Tax evasion	an action defined in Article 119a of the Tax Ordinance
Tax laws	the term with the meaning resulting from Article 3(1) of the Tax Ordinance
Tax compliance	performance by the Bank of its tax obligations under tax laws

Chapter I General Provisions

§ 1

Bank Millennium S.A.'s Tax Policy (hereinafter: *Tax Policy*) sets out the tax strategy and tax risk management principles adopted by the Bank to ensure tax compliance and transparency as required by GRI 207: Tax.

§ 2

This Tax Policy sets out in particular:

- a) strategy on how to approach the performance of tax obligations, tax planning and how to cooperate with tax authorities,
- b) principles on Bank's tax risk management,
- c) aspects of tax risk management process operating at the Bank,
- d) reporting principles on tax risk management, including scope, frequency and addressees of reports.

§ 3

The tax strategy and tax risk management are part of the "Tax" process carried out by Bank Millennium S.A., which, in turn, is part of the "Accounting and Reporting" macro-process.

Chapter II Tax Strategy

§ 4

1. The Bank views the fulfilment of its tax obligations, including due and timely payment of tax liabilities, as part of its corporate social responsibility and its important social mission contributing to the sustainable social and economic development of the Republic of Poland providing also the necessary foundations for the sustainable development of the Bank's enterprise.
2. The Bank sees tax evasion not only as a violation of applicable laws but also as a violation of its mission and the tax strategy it pursues.
3. In the course of its business, the Bank shall not intend to act as a promoter of tax schemes or to enter into transactions with its related entities from the BCP Group on non-market terms to achieve tax advantage, including the shifting of income to entities in so-called tax havens.
4. The primary function of the Bank's tax function is to minimise tax risks to ensure the Bank's tax compliance. Tax advantage may only be achieved while meeting tax compliance.
5. Tax planning and construction of tax laws in the qualification of various events and undertakings shall be carried out taking into account the Bank's low tax risk appetite and maintaining the highest standards of diligence to ensure tax compliance.
6. To ensure tax compliance, the Bank shall maintain adequate tax governance governed by internal laws applied by the Bank defining the roles and responsibilities of the Bank's organisational units as well as senior and lower management within the tax processes taking into account the KAS guidelines resulting from the RWNP. For the management of the tax area, the Bank shall employ persons with qualifications and professional experience that provide a guarantee of due performance of duties.
7. In its relations with the KAS authorities, the Bank shall ensure transparency and due diligence in the performance of its duties, in particular by providing reliable, complete and timely explanations to the highest standards.

Chapter III Tax risk management principles

§ 5

1. Tax risk management is organised at three independent levels, where:
 - a) the first line of defence involves managing tax compliance risk in the Bank's operations,
 - b) the second line of defence involves the activities of the DPD,

- c) the third line of defence involves the activities of DAW.
2. Tax risk shall be managed through the establishment of an adequate and effective tax governance system, which is created by the Bank by a set of internal rules (instructions, regulations, process charters, notices) defining the roles and responsibilities of particular organisational units of the Bank in processes related to the implementation of the Bank's tax obligations, as well as appropriately defined roles of the Bank's Supervisory Board and Management Board.

Role of the Supervisory Board

§ 6

1. As part of the Audit Committee, the Supervisory Board shall exercise general oversight of the Bank's performance of its tax obligations and the implementation of its tax strategy.
2. The Audit Committee is a standing committee within the Bank's Supervisory Board, composed of at least one person with competence in accounting or auditing.
3. At least once every 3 years, the Audit Committee shall evaluate the effectiveness of the Bank's tax risk management and submit a report to the Supervisory Board in this respect.

Role of the Management Board

§ 7

1. As part of ensuring compliance, the Bank's Management Board shall be responsible for the effective management of tax risk.
2. The responsibility of the Bank's Management Board shall involve:
 - a) establishment of a tax compliance unit at the Bank, ensuring its proper place in the organisational structure of the Bank and human and budgetary resources adequate for the tasks performed by this unit,
 - b) collecting and addressing opinions and comments of the Bank's stakeholders on the improvement of the Bank's tax governance,
 - c) approving the Tax Policy, amendments to it, and ensuring compliance with it,
 - d) approving information on the applied tax strategy,
 - e) notifying the Supervisory Board and the Audit Committee of the Supervisory Board of the occurrence of significant tax risks and reporting on the implementation of the tax strategy.
3. If irregularities are found in the application of the Tax Policy, the Bank's Management Board shall take corrective or disciplinary measures.
4. The day-to-day management of the Bank's tax area, including supervision of DPD, shall be performed by a designated Member of the Management Board to the extent resulting from the detailed division of activities, under resolutions and decisions of the Management Board. The designated Member of the Management Board, in cooperation with the Head of DPD and the Human Resources Department, shall be responsible for the human resources necessary for the proper performance of the tax function in terms of numbers as well as of content.

Role of the Internal Audit Department (the third line of defence)

§ 8

1. As the third line of defence, DAW shall be responsible for assessing the adequacy and effectiveness of the tax risk management system.
2. The DAW's task shall be to implement the above assessment referred to in point 1 by carrying out audit examinations and investigations under the Audit Plan approved for a given year. The results of the audits shall be reported by DAW to the Management Board, Supervisory Board and Audit Committee.
3. In its reports to the Audit Committee and the Supervisory Board, DAW shall provide, on an ongoing basis, information received from DPD on tax controls, customs and treasury inspections, tax proceedings and disputes on tax obligations to which the Bank is a party.

Role of the Tax Department (the second line of defence)

§ 9

1. As the second line of defence, DPD shall be responsible for implementing the tax risk management process, including:
 - identification of tax risks requiring mitigation or escalation under the principles arising from § 16 hereof within the Bank's and its subsidiaries' business,
 - establishing the Bank's risk profile and initiating changes to increase the effectiveness of tax governance, taking into account the guidelines arising from the RWNP.
2. The Head of DPD shall be in charge of the preparation of information on the implementation of the tax strategy, the coordination of work on the Bank's joining the Co-operation Programme and the implementation of the Bank's obligations related to its participation in the Programme.
3. The DPD Manager shall be in charge of ensuring that DPD staff forming part of the Bank's tax function have an appropriately high professional quality, through the appropriate selection of staff and their professional development.
4. The duties of DPD are set out in detail in the Organisational By-Laws of the Tax Department and other internal acts of the Bank governing particular tax processes.

Role of the Bank's organisational units (the first line of defence)

§ 10

1. The Bank's organisational units responsible for carrying out activities under the tax processes are the first line of defence in the tax risk management process.
2. All Bank employees in the first line of defence shall be obliged to duly perform their duties under the tasks imposed on the Bank's organisational units by which they are employed, as set out in the Bank's internal laws (instructions, regulations, process charters, notices) and to pay particular attention to ensuring the Bank's tax compliance.
3. The managers of the Bank's organisational units and the employees of these units shall actively manage the compliance risk in their subordinate areas, in particular by:
 - a) diligently complying with the tasks arising from the Bank's internal laws on tax processes,
 - b) working with DPD in identifying and escalating events/practices that create tax risks and implementing actions to mitigate them in their area of operation,
 - c) implementation, application and monitoring of the control mechanisms (*the 4 eyes principle*),
 - d) taking into account in their ongoing work the recommendations, opinions and information provided by DPD.

Chapter IV Tax risk management process

§ 11

1. The tax risk management process covers all areas of the Bank and the Bank Millennium Group and involves identification, assessment, control, monitoring, as well as reporting on tax compliance risk.
2. DPD shall cooperate with other organisational units of the Bank in the compliance risk management process.

Identification and assessment of tax risks

§ 12

1. Tax risk identification shall be performed by analysing DPD events, entries in selected accounting accounts and business processes performed by the Bank, monitoring amendments to regulations, case law and practices of KAS authorities, as well as enquiries from other organisational units of the Bank and Bank employees. Tax risks shall also be identified through NAFF performed by DAW or external auditors.

2. Identified tax risks shall be subject to substantive assessment by DPD to determine the most appropriate interpretation based on the principles of interpretation of the legal texts related to a given event, taking into account the interpretations and explanations of the KAS authorities, judicial decisions, as well as the potential impact on tax charges of the Bank or its clients and contractors.
3. In the case of events doubtful as to the correctness of the legal interpretation made, the DPD Manager shall mitigate the tax risk by:
 - a) a request to the Director of the National Fiscal Information for an individual tax law interpretation,
 - b) obtaining the opinion (advice) of an external tax advisor, including in the form of *assurance* reports,
 - c) ascertaining, where possible, the existing practice applied by KAS authorities or other taxpayers,
 - d) referring issues to the chambers of commerce of which the Bank is a member for discussion (analysis) and their escalation, where required, to the Ministry of Finance or other relevant state authorities,
 - e) taking other relevant actions, e.g. applying for a protective opinion under Article 119w of the Tax Ordinance or concluding a tax agreement under Article 20zb of the Tax Ordinance.
4. Until the tax risk is mitigated as a result of the actions referred to in paragraph 3, the Bank shall adopt the most conservative approach excluding the risk of any Bank tax arrears or penalties. Any derogation from this principle, depending on the amount of the potential tax charge on the Bank, shall require the approval of the Head of DPD or the Board Member responsible for the tax area or the Bank's Management Board, as appropriate.

§ 13

Identified material tax risks, including cases where the derogations referred to in § 12(4) have been applied, shall be reported by the Head of DPD on the principles laid down in § 16.

Tax risk control

§ 14

Tax risks shall be controlled through the ongoing analytical work of DPD staff and by taking the actions referred to in § 12, in particular, by applying the following risk control mechanisms:

- a) tax analysis of new/modified products and services introduced into the Bank's offer (including processes related to these products, regulations, standard form contracts),
- b) giving opinions on significant agreements in the area of the Bank's own management, including agreements with entities related to the Bank,
- c) monitoring amendments to tax law, administrative court decisions and KAS practice to ensure the Bank's tax compliance and the organisation's awareness of all the Bank's tax obligations,
- d) issuance of notices by the Head of DPD regarding the amendments referred to in (c) above, as well as interpretations regarding the tax qualification of events to maintain uniformity of the Bank's practice,
- e) participating in key business projects of the Bank by analysing tax implications and risks,
- f) providing training courses to ensure tax compliance,
- g) escalation of identified tax risks with recommendations on their mitigation.

Monitoring tax risk

§ 15

1. Tax compliance risk monitoring aims to regularly examine the actual size and profile of the risk.
2. In monitoring the size and profile of the tax compliance risk, DPD shall use information obtained through ongoing analysis as well as from sources to identify compliance risks.

Tax reporting

§ 16

1. In the event of a high level of tax risk, the Head of the DPD shall immediately provide the necessary information in this regard to the Member of the Bank's Management Board supervising the tax area (**current information**), and in justified cases also to DZZ and DAW.
2. Every month, the DPD Manager shall provide DZZ with information on tax and administrative court proceedings initiated or pending to which the Bank is a party.
3. Every quarter, the Head of DPD shall provide the Member of the Management Board of the Bank supervising the tax area with:
 - a) management information on tax matters of the Bank and companies of the Bank Millennium Group, in particular, current tax risks (**quarterly report**);
 - b) the list of disputed cases in the tax area under the provisioning procedure applied by the Bank.
4. On a semi-annual basis, the Head of DPD shall submit to the Processes and Operational Risk Committee a report on tax risks under separate internal regulations on the operation of the committee in question (**semi-annual information**).
5. In annual cycles, the Head of DPD shall provide the Bank's Management Board and the Audit Committee of the Supervisory Board with information on the implementation of the tax strategy and a report on tax compliance risk (**annual information**).

§ 17

1. All employees of the Bank, in particular senior and lower management at the operational level, are required to comply with the rules arising from the Tax Policy.
2. The tax policy shall be subject to approval by resolutions of the Bank's Management Board and the Bank's Supervisory Board and shall come into force upon approval by the Bank's Management Board and Supervisory Board.