

2018 Bank Millennium and Bank Millennium Capital Group Non-financial Information Report

Millennium
bank

The logo for Millennium bank, featuring the word "Millennium" in a large, white, serif font above the word "bank" in a smaller, white, sans-serif font, both contained within a dark red rectangular box. A thin white horizontal line is positioned below the box, and a thin white vertical line is positioned to the right of the box, meeting at a small crosshair.

2018 Bank Millennium and Bank Millennium Capital Group Non-financial Information Report

This report includes a Bank Millennium and the Capital Group of Bank Millennium statement prepared in accordance with the Accounting Act (Article 55, paragraph 2b-2e) according to the GRI Standards, includes non-financial information related to the Bank Millennium and Capital Group of Bank Millennium for the period from 1 January to 31 December 2018 and is an integral part of the Bank Millennium and the Capital Group of Bank Millennium.

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LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Stakeholders,

Bank Millennium is profoundly committed to realizing the social mission it has pursued from its establishment. Corporate social responsibility and banking without barriers are pillars of the Bank's strategy. We are doing our utmost to eradicate all the infrastructural, digital and physical barriers that impede access to financial and non-financial services.

We are striving to be a bank without barriers. Nearly five million Poles, or almost 12% of its population have some type of disability. We are driven to facilitate their ability to use our financial services as customers. That is why we have introduced many improvements for people who are blind, visually impaired and have mobility impairments, including easier access to branches, ATMs, telephone and website service and method of service. All of our ATMs and more than 70% of our branches are presently fully accessible to persons with disabilities. For adapting the Bank's website to meet the needs of blind and visually impaired persons in 2018 Bank Millennium won the "Website Without Barriers" competition.

According to the Digital Economy and Society Index (DESI) merely 46% of the Polish public have basic digital competencies. This is not a good result compared with the European Union average of 57%. **That is why we also intend to counteract digital exclusion.** For this reason, we are improving access to mobile solutions to make customers' lives easier. For our customers we are not just a financial services center but also their first access channel to other services. In the Bank's mobile app customers can buy urban transport tickets and insurance or pay for parking. We also support remote contact with public administration. Customers using the internet banking system can create a free-of-charge electronic signature thereby giving them 24/7 access to the online services provided by public administration. After introducing a chatbot in 2018 we plan to launch a robo advisory service in the near future to make daily banking even easier. All these solutions forge value for the Bank and its environment.

In an OECD financial awareness survey spanning thirty countries Poland took last place. Only 32% of Poles set long-term financial objectives and strive to achieve them. Our response to this social issue has been to launch the "**Financial ABCs**" project. It is a proprietary financial education program for kindergartners run by the Bank Millennium Foundation under the honorary sponsorship of the Minister of Education and the Children's Ombudsman. Its purpose is to explain to children - through play and games - the meaning of basic financial terms. During the two years of the project's duration more than 1,300 workshops have been held to educate almost 33,000 children from approx. 400 kindergartens across Poland. Apart from workshops for kindergartners the Foundation has held open workshops in public spaces for all interested children.

With the Foundation's support Bank employees can also implement own ideas for community campaigns. So far initiatives financed using grants provided by the Foundation have involved almost 450 employee volunteers who have run programs for nearly 7,000 beneficiaries. Some of the great ideas they implemented include renewing classrooms and a playgrounds; outfitting a therapy room for disabled persons; laying down a new floor in a scout hall or even expanding a school football pitch.

An important part of the activities to benefit the community is also supporting cultural events. For nearly 30 years Bank Millennium has been a 360° sponsor of culture, whereby it has promoted the arts in almost all its forms: music, painting, sculpture, film, theater, photography, literature and performance. The most important cultural project we have been supporting for 13 years is the Millennium Docs Against Gravity Film Festival - the largest annual documentary cinema festival in Poland.

The market highly appreciates our CSR-related efforts. Since 2010 the Bank has been a member of the **Respect Index** consisting of socially responsible companies listed on the Warsaw Stock Exchange. It is also among Polish top ten companies in the **Ranking of Responsible Companies** prepared by the Responsible Business Forum as well as it received the **CSR Silver Leaf** in the *Polityka* weekly's ranking. The Bank is also a signatory of two important international initiatives. First is the **Diversity Charter**, a commitment signed by organizations that are attempting to eliminate discrimination, fostering and promoting diversity in the workplace. Second initiative is a business - government administration partnership for achieving **UN Sustainable Development Goals** in which Bank Millennium has undertaken to carry out financial education to children and youth.

We encourage you to read this report to learn more about the efforts all employees of Bank Millennium are taking to benefit the community and the environment.



Joao Bras Jorge

Chairman of the Management Board

[GRI 102-14]

I. BANK MILLENNIUM AND THE CAPITAL GROUP OF BANK MILLENNIUM

1. PROFILE OF THE ORGANIZATION

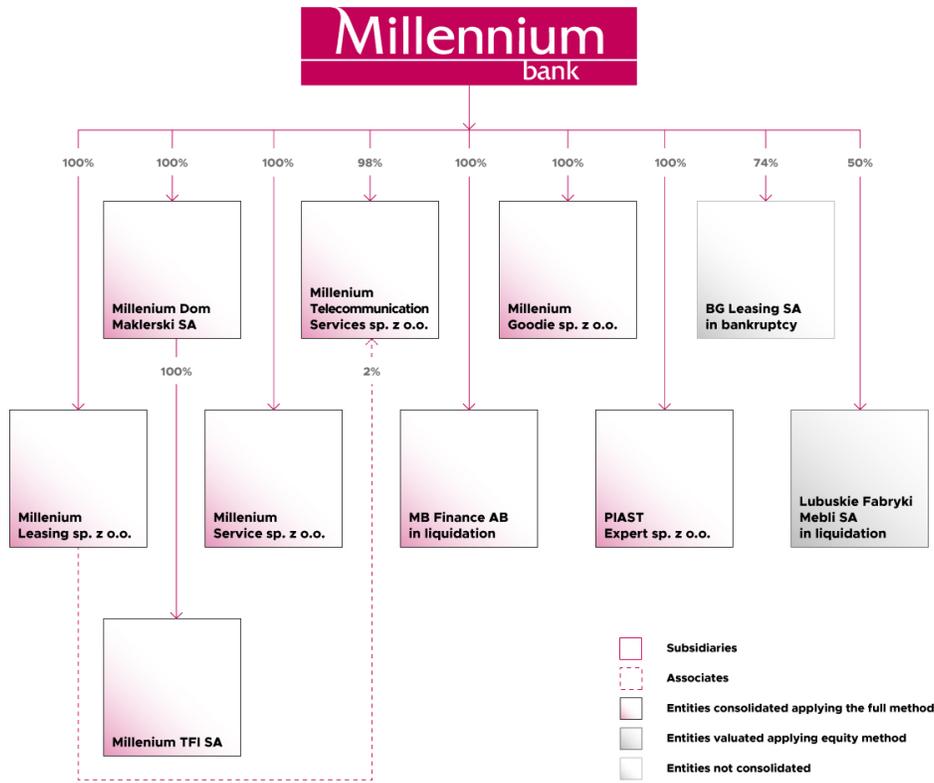
Bank Millennium [GRI 102-1] was established in 1989 as one of the first commercial banks in Poland. Presently, it is the 7th largest commercial bank in Poland in terms of assets. It offers services to individual clients (in the retail, Prestige and Private Banking segments), micro businesses and small, medium and large enterprises in the Corporate Banking segment. [GRI 102-2]

From its operational launch the Bank has been a trendsetter in the Polish banking industry. For instance, it was the first bank listed on the Warsaw Stock Exchange and the issuer of the first payment card on the Polish market. Today, it is a market leader in innovation defined as new technology solutions and process improvements. Innovation in Bank Millennium is an integral part of its business strategy. The Bank meets the highest corporate governance standards and pursues social programs to support children's financial education and employee volunteerism. **Signing the agreement in November 2018 to acquire shares of Euro Bank, was a landmark decision that will contribute to growth business magnitude and overall development.**

Bank Millennium and its subsidiaries constitute the Capital Group of Bank Millennium Group. The most important companies are as follows: Millennium Leasing (leasing activity), Millennium Dom Maklerski (brokerage activity) and Millennium TFI (mutual funds). Since 2016 Millennium Goodie Spółka z o.o. has been operating an innovative smart shopping platform based on sophisticated technology in collaboration with the Bank. These companies' offering complements the products and services offered by the Bank. In 2019 Bank Millennium plans, subject to obtaining required approvals, to establish mortgage bank and to finalize the acquisition and merger with Euro Bank.

The Bank and its subsidiaries operate in the Republic of Poland. [GRI 102-4] The Bank's Head Office is located in Warsaw while some of its head office functions are also performed in Gdańsk. [GRI 102-3]

Organizational chart of the Bank Millennium Group as at 31 December 2018



1.1. SCALE OF OPERATIONS

The Bank operates throughout Poland and has no branches outside of its borders. [GRI 102-6] Services are offered through a chain of 361 outlets across Poland, the mobile and internet banking system, the telephone banking channel and a chain of 487 proprietary ATMs. Thanks to the rapid development of mobile and internet banking the Bank is also able to offer access to non-financial services, e.g. buying insurance, urban transport tickets and contact with Polish governmental offices.

Scale of the Bank Millennium Group's business activity	2018	2017	2016	2015	2014
Number of active individual clients (thousand)	1,838	1,635	1,492	1,369	1,284
Number of active corporate clients (thousand)	7.4	6.9	6.6	6.7	6.5
Number of branches	361	355	369	413	423
Number of ATMs	487	483	490	519	539
Number of employees (people)	6,270	5,945	5,964	5,992	6,183
Number of suppliers (Bank)	5,012	5,153	5,378	5,623	5,357
Sponsoring and grants (m PLN)	2.79	1.58	1.54	0.88	1.79

[GRI 102-7]

1.2. SHAREHOLDER STRUCTURE

Bank Millennium is a joint stock company that has been listed on the Warsaw Stock Exchange (WSE) since 1992. [GRI 102-5] It is the first Polish bank to be listed on WSE. The Bank is also on the list of Polish companies belonging to the developed markets indices created by FTSE Russell (supplier of indices, benchmarks and research owned by the London Stock Exchange). The Bank belongs to the small cap index.

Bank Millennium's strategic shareholder is Banco Comercial Portugues, the largest private bank in Portugal, which holds a 50.1% stake in Bank Millennium. Polish pension funds are significant shareholders, including Nationale-Nederlanden OFE, PTE PZU „Złota Jesień” and Aviva OFE that have equity stakes exceeding 5%.

Bank Millennium's shareholder structure



[GRI 102-10]

1.3. BUSINESS PERFORMANCE

The Bank Millennium Group achieves its economic goals striving to balance the needs of the key Stakeholders, in accordance with its growth strategy while taking into account the principles declared in the Code of Ethics.

[GRI 103-2]

	Group		Bank	
Selected business performance (m PLN)	2018	2017*	2018	2017*
Total income	2,727.6	2,571.6	2,568.3	2,426.2
Total costs	(1,268.0)	(1,202.7)	(1,205.3)	(1,141.9)
including staff-related	(638.1)	(596.5)	(592.2)	(552.3)
Cost/income ratio	46.5%	46.8%	46.9%	47.0%
Provisions for risk	(236.6)	(255.4)	(205.6)	(231.1)
Bank levy	(198.5)	(188.3)	(198.5)	(188.3)
Corporate income tax (CIT)	(264.0)	(244.0)	(236.6)	(215.9)
Loans and borrowings to clients (net)	52,711.7	47,411.1	51,786.8	47,144.5
Client deposits	66,243.8	57,273.3	66,399.8	57,398.9
Share in the loan market	4.6%	4.4%	The stated data pertain only to the Group	The stated data pertain only to the Group
Share in the deposits market	5.3%	5.0%	The stated data pertain only to the Group	The stated data pertain only to the Group
Ratio: credits/deposits	79.6%	82.8%	The stated data pertain only to the Group	The stated data pertain only to the Group

Ratio of loans at risk	4.5%	4.6%	The stated data pertain only to the Group	The stated data pertain only to the Group
Loan loss coverage ratio	74.4%	67.1%	The stated data pertain only to the Group	The stated data pertain only to the Group
CET1 ratio	19.8%	20.0%	19.5%	19.9%
Total cost ratio (TCR)	21.7%	22.0%	21.5%	21.9%
Equity	8,384.4	7,772.6	8,136.0	7,540.5
Net profit	760.7	681.2	722.3	648.9
ROE	9.6%	9.3%	The stated data pertain only to the Group	The stated data pertain only to the Group
Distribution of profit				
Dividend	0**	0**		0**
Capital	100%	100%		100%

* The data has been changed compared to the 2017 report. Starting from 2018, January 1st, the Group has changed the manner in which the fee for the obligatory bank restructuring fund collected by the Bank Guarantee Fund (BFG) is presented in the profit and loss account. The fee was previously presented in other operating expenses, while since 2018 this fee is recognized as a component of other administrative expenses (including fees for the BGF guarantee fund).

** Bank's Management Board's proposal prior to the General Meeting.

[GRI 201-1]

2. BUSINESS MODEL AND THE VALUE CREATION MODEL

Business model

Bank Millennium operates according to a business model predicated on five pillars:



1. CUSTOMER FOCUS

We are the most customer-focused bank that is constantly developing. We want to be the most personalized bank operating on a mass scale.

2. DIGITALITY AND NEW TECHNOLOGIES

We are the leader in digital banking by offering high quality services blended with an extensive reach.

3. ORGANIC GROWTH CAPACITY

We are growing the fastest among banks in acquiring clients with whom we hold the main relationship. Moreover, we added four new drivers (investments, consumer loans, microbusinesses and SMEs and corporates) to our 2018-2020 strategy to complement our current sustainable growth driver (acquiring current accounts).

4. COST EFFECTIVENESS

We have the leading cost effective business model built by harnessing the most sophisticated technology that is flexible when it comes to changes and the Bank's growing size.

5. FLEXIBILITY IN RESPONDING TO CHANGE

We have a flexible operating model, an organizational culture that facilitates rapid response and digital and data analysis competences.

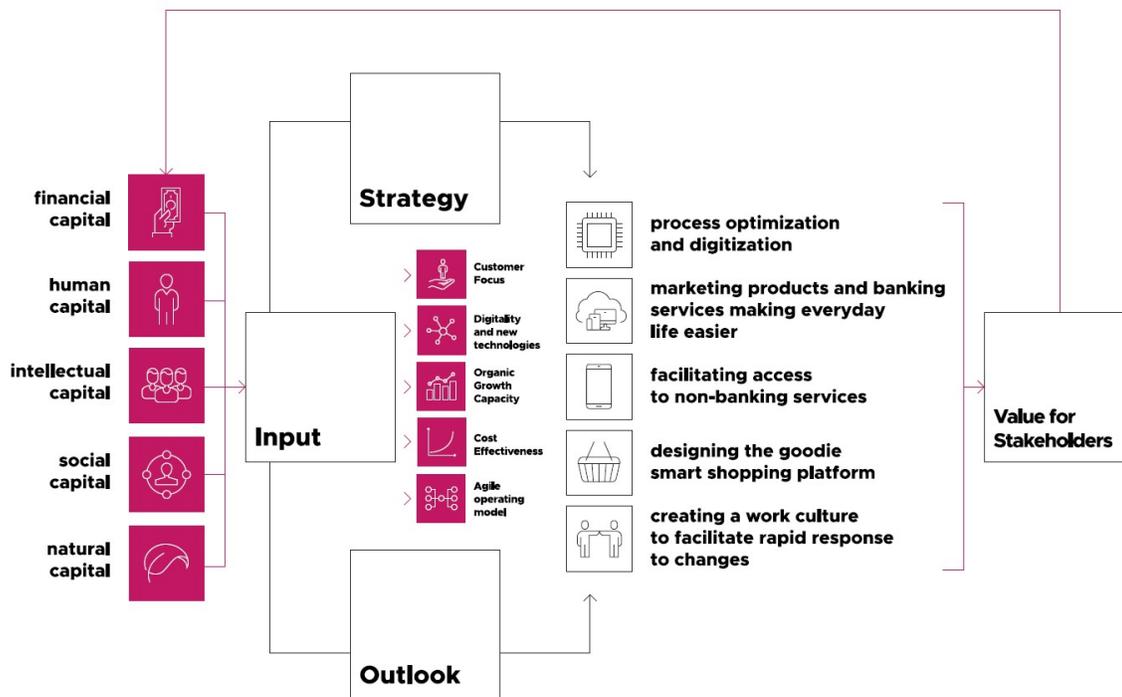
The firm's values form the foundation of our business model: building relations based on trust, a passion for quality and innovation, employee development and promoting collaboration and the ever constant ambition to aim higher.



Value creation model

The Bank Millennium Group's capital poises it to grow its business as it simultaneously creates value for its Stakeholders.

Mission and Vision



The Bank Millennium Group's capital...

Financial capital	Shareholder equity	PLN 8,384 million - own funds (including net profit)
	Assets, Loans and Liabilities	PLN 72,075 million - total liabilities PLN 52,712 million - net loans PLN 80,459 million - total assets
Human capital	Employees, their knowledge, values and attitudes that make it possible to grow the company.	6,270 - number of employees 100% of the employees have been trained on our Code of Ethics 41 - average number of training hours per employee
Organizational capital	Culture of rapidly responding to change (<i>agility</i>), sophisticated infrastructure and IT systems, digitization and optimization of processes making it possible to develop innovative products and offer high quality services, organization's cost effectiveness	+34% y/y - users of the mobile banking application and mobile Millenet +173% r/r - sales of urban transport tickets through the mobile application 61 - NPS for retail clients 46.5% - cost/income ratio
Intellectual capital	Investments in modern technological solutions and innovations, the bulk of IT development is in-house, internal start-up goodie, internal UX Design team.	Nearly 60% of capital expenditures are for IT development 293 - number of IT employees 75% - employees holding a university education Market's digital leader according to the report entitled Deloitte EMEA Digital Banking Maturity 2018
Social capital	Quality of relations with the environment, Bank reputation, transaction safety, enhancing the society's financial awareness.	NPS 61 for retail clients (the highest on the market in the research done by ARC Rynek i Opinia) 78% of our clients maintain their main relationship with the Bank 47% of our clients recommend the bank to others 33,000 children trained in the fundamentals of finance Nearly 7,000 beneficiaries of our employee volunteering programs
Natural capital	Direct and indirect environmental impact and its minimization.	-32% - reduction of CO ₂ y/y

... support business development through:

- Process optimization and digitization
- Marketing products and banking services making everyday life easier
- Facilitating access to non-banking services
- Designing the goodie smart shopping platform
- Creating a work culture to facilitate rapid response to changes
- Organic growth and acquisition (Euro Bank)

... and create value for Stakeholders:

Clients	Banking for all - no physical, infrastructural and digital obstacles	36% are mobile app users 72% of the branches are accessible to disabled persons 100% of the ATMs are accessible to disabled persons
	Non-banking digital functionalities, e.g. e-administration	36% are mobile banking users 86% are internet banking users
	High quality of service	61 - NPS for retail clients
		On the podium in all the categories in "Newsweek's Friendly Bank" ranking (1st place for "Mobile Banking", 2nd place for "The Bank For the Everyone" and 3rd place for "Internet Banking" and "Mortgage Banking")
		1st in the financial sector and in TOP 10 best Polish brands in Customer Experience according to market research published by KPMG
	Ethical sales	100% of the employees have been trained on our Code of Ethics
Employees	HR awards, employee turnover ratio	Distinction as the Sound Employer of the Year 2018 4% - employee turnover ratio
	Education and development	41 - average number of training hours per employee 16% - employees who were promoted in 2018
	Respect for diversity	87% - returns to work following maternity leave 59% are women holding managerial positions
Investors	Profitability	9.6% - Return on Equity (ROE)
	Earnings for shareholders	-0.8% - share price decline in 2018 (the best performance in the banking sector and versus other indices)
	Low risk	21.7%-TCR (total capital ratio)
	High standards of ESG management	Member of the Respect Index on the Warsaw Stock Exchange (WSE), adherence to the Best Practices of Companies Listed on WSE and Corporate Governance Principles

Suppliers	Ethical cooperation	82% of all invoices paid within a range up to 30 days
	Responsibility in the supply chain	100% of newly-executed contracts have a clause obligating suppliers to apply the principles of the Bank Millennium Group's Code of Ethics
Society	Employee volunteerism	441 volunteers engaged in social campaigns 6,987 beneficiaries in volunteer campaigns
	Financial education	33,000 children participated in workshops
	Promotion of Culture	PLN 797,983 - sponsoring of culture
	Expenditures for social purposes	PLN 426,855 - Bank Millennium Foundation's expenditures on social goals
		45%* - effective tax rate
Environment	Minimizing the environmental impact	-32% - reduction in CO ₂ emissions y/y

* In 2018 banking tax grew by 5.4% yearly (higher assets) and income tax grew by 8.2% (higher income). When summing both taxes (PLN 463 million) and VAT paid by the Bank (PLN 30 million), effective tax rate reached 40% of operating profit. If adding other obligatory payments for public purpose (BFG contribution and KNF costs), **effective tax rate increases to 45%**. While the cut of obligatory reserve remuneration, done by NBP since January 2018, decreased operating profit of the Bank in 2018 by PLN 17 million.

Additionally, **Bank Millennium has joined the SKOK turnaround process** supported by the Polish Financial Supervision Authority (KNF) and the Bank Guarantee Fund (BFG). Conveyance of SKOK Piast supported efforts to ensure stability of the national financial system and to ensure safety for all clients of financial institutions in Poland. On the basis of decision of the Polish Financial Supervision Authority on 17 October 2018, Bank Millennium took over management of the assets of Cooperative Credit Union SKOK Piast.

3. EXECUTION OF THE 2018-2020 STRATEGY

In 2018 the Bank Millennium Group was engaged in executing its 2018-2020 mid-term strategy based on the following objectives:

- Adding new drivers (investments, consumer loans, microbusinesses and SMEs and corporates) to the current growth driver in Retail Banking (acquiring current accounts).
- Launching a project to set up a mortgage bank.
- Accelerating growth in Corporate Banking through lending activity and higher efficiency in the sales network.
- Growing by tending to client satisfaction with mass personalization in the retail segment and a sectoral approach in the business segment.
- Strongly harnessing the digital component in banking and outside banking as a competitive advantage.
- Taking a flexible approach to the inorganic growth option.
- Acquiring talents by tapping into our inspiring work environment.
- Acting responsibly toward clients, employees and the society.

Results of strategy execution in 2018:

- Retail accounts - number of active clients up 200 thousand.
- Cash loans - 39% sales growth.
- Mortgage loans - 31% sales growth.

- Double-digit growth in loan volume in the corporate segment.
- No growth was recorded in the balance of acquired non-deposit investment products as this market underwent very adverse global (falling stock prices on most markets) and local (dwindling trust in the market precipitated by the troubles of one debt collection company) factors.
- The separation of a specialized area in the Bank's structure is to strengthen its position in the micro business segment.
- **Focusing on client satisfaction accompanied by mass personalization in the retail business and a sectoral approach in business.** Strongly harnessing the digital component in banking and outside banking serves this purpose as an important part of its competitive advantage. In 2018 the Bank's leading position was affirmed: it took first place in many of the categories in the ranking prepared by ARC Rynek i Opinia, including the most important one testing client satisfaction using the net promoter score (NPS=61 for the Bank - the highest score on the market). The success achieved stems largely from new and effectively implemented digital solutions.
- Attracting talent by offering an inspiring work environment and responsible activities in contact with employees, clients and the overall society.
- Enhancing the organic growth strategy by executing the Euro Bank acquisition.

Specific information regarding the execution of the strategy can be found in "Management Board Report on the activity of Bank Millennium and Capital Group of Bank Millennium for 2018".

The Bank Millennium Group's growth outlook

The Bank Millennium Group's goal in 2019 is to **blend the effective execution of the transaction involving the Euro Bank acquisition with sustaining robust organic growth and retaining a high level of innovation.**

After obtaining all the necessary consents and finalizing the transaction, Bank Millennium assumes that it will conduct the legal and operational merger with Euro Bank in the second half of 2019. **The full operational merger** will be preceded by migrating all data of Euro Bank clients and products to Bank Millennium's platform. Bank will operate under the Millennium logo.

The Bank presumes that its major targets specified in the organic growth strategy for the 2020s will be achieved at least in line with the magnitude of its intentions or may undergo significant acceleration thanks to the merger. The first group consists of tasks for the micro and corporate segment in which the plan is to maintain the high pace of growth despite the anticipated slight economic slowdown in Poland. **A database of 1.4 million new clients** forming the basis for offering the Bank's current products will be added in the **retail segment to augment the current rapid growth in client and product numbers. Thanks to the merger** there should be a particularly high amount of **acceleration in the sales of consumer loans.** First, the current portfolio will double in size in a single moment; and second, the Bank will acquire Euro Bank's competences in extending these loans to new clients. The Bank is also getting poised to **ratchet up its exposure to mortgage loans,** driven both by the acquired portfolio and by maintaining the fast clip of sales of new loans. To support business development in this area, last year the Bank launched a **project to set up a mortgage bank.** The plan calls for obtaining the pertinent licenses and launching operational business in 2019 whereby the Bank Millennium Group will gain the capability of issuing covered bonds.

The execution of the growth strategy relating to **investment products** will hinge on capital market trends and the method and consequences of implementing the MiFID2 regulation, which may precipitate continuation of the unfavorable trend seen on this market since last year. The Bank is also positioning itself in 2019 to face the **challenges related to the full-scale implementation of the PSD2 payment services directive.** Operating in the face of greater exposure to competition posed by other banks and players moving into payment services will depend to a greater extent on the effectiveness of maintaining relations with clients whose expectations are on the rise and require **more extensive personalization of services while leveraging the latest solutions and digital techniques.** Retaining a leading position in the quality of services and their digitization continues to be an unwavering goal of the Bank Millennium Group and will have the necessary backing in 2019 and subsequent years in the form of the indispensable investments focused on innovation.

Effectively combining the merger with sustaining rapid organic growth should enable the Bank to achieve or surpass its major mid-term targets under the 2020 strategy, including in particular the reduction of its cost/income ratio to 40%, generation of net profit totalling PLN 1 billion and generation of ROE that would place the Bank among the top three leading banks in Poland.

4. MANAGEMENT APPROACH TO SUSTAINABLE DEVELOPMENT

The principal aspects of managing issues related to sustainable development have been incorporated in the Bank Millennium Group's 2018-2020 Strategy and are being implemented in the various areas of the operations conducted by the Bank and its Companies.



Actions to benefit the society form part of the business strategy at Bank Millennium. **Our priority is to provide the highest quality of client service, conduct ethical marketing and sales and facilitate the utilization of banking and non-banking services** (e.g. e-administration) by rolling out facilities for disabled persons and innovative services. The employees are also the addressees of CSR-related activities. **The Bank promotes diversity in the organization in addition to ensuring stable and attractive working conditions and offering opportunities to get involved in social activities.** Social programs are run through the Bank Millennium Foundation and pertain to financial education and cultivating employee volunteerism. The President of the Bank's Management Board is responsible for overseeing the pursuit of the CSR goals at the highest level. [GRI 103-1, 103-2, 103-3]

Strategy execution is subject to regular reviews and assessments. They are administered by the Bank's Management Board on the basis of information prepared by the units responsible for their performance and by the Bank's Supervisory Board on the basis of the information presented by the Management Board. **Global assessment of the Bank's activities, including the management of economic, environmental and social issues, is performed by the Supervisory Board based on the Bank's published statements.** They are analyzed and presented to the Shareholders at the Shareholder Meeting and form the basis for granting a discharge to the Bank's Management Board on the performance of its duties in a given financial year. [GRI 102-30, 102-31, 102-26]

All its CSR activities have been summarized once a year for 12 years in the Bank Millennium Group's Corporate Social Responsibility reports. The Bank is also a signatory of two important international initiatives. It joined the **Diversity Charter**, which is a commitment signed by organizations that decide to introduce a ban on discrimination at work and acting to create and promote diversity. **The company also supports the achievement of the UN's Sustainable Development Goals (SDG).** When joining the partnership between business and the government administration to achieve these sustainable development goals, Bank Millennium declared that it would conduct activities in particular for the financial education of children and youth. [GRI 102-12]

The CSR activities pursued by the company are highly rated by the market. Since 2010 the Bank has been in the **Respect Index** consisting of socially responsible companies listed on the Warsaw Stock Exchange. In the **Ranking of Socially Responsible Companies** Bank Millennium is in the top ten that espouse CSR to the greatest extent. It harvested the most points in the categories of "Doing Business Responsibly" and "Sustainable Development Policy". The **Silver CSR Leaf** was also awarded to it in the Polityka weekly's ranking.

4.1. DESCRIPTION OF THE SIGNIFICANT RISKS RELATED TO THE ENTITY'S ACTIVITY THAT MAY EXERT AN UNFAVORABLE IMPACT ON SOCIAL, EMPLOYEE, NATURAL ENVIRONMENTAL ISSUES AND RESPECTING HUMAN RIGHTS AND COMBATING CORRUPTION

In the Bank Millennium Group, risks exerting an unfavorable impact on social issues may stem from relations with clients and business partners. In reference to the risk **related to client relations** (conveying the appropriate information to clients, ethical advertising and sales, timely handling of complaints, issues related to the granting of FX loans etc.), the Bank monitors all the regulations and opinions expressed by UOKiK (Office of Competition and Consumer Protection) and other authorities and it is focused on delivering the best products and services to its clients, as the Bank's top positions in various rankings amply attest. Minimizing the **risks related to business partners** entails devising objective criteria for selecting suppliers and fair payment and contractual terms accompanied by ethics in collaboration, as reflected by our internal regulations. In terms of **employee-related risks** the Bank minimizes the risk of high employee turnover by embracing the pertinent policies (including HR, compensation and diversity) and offering high working standards, as confirmed by receipt of the status of Sound Employer of the Year 2018. The risk related to the issue of failing to **respect human rights and combat corruption** refers to the possibility of forfeiting reputation and the imposition of legal or financial sanctions. The Bank's Group prevents this risk by obligating its employees and business partners to adhere to the Bank Millennium Group's Code of Ethics in which these issues are regulated and by offering the ability to report violations anonymously in these areas. The risk pertaining to the natural **environmental impact** chiefly involves the possibility of sanctions being imposed for non-compliance. The Group prevents this risk by submitting to legal regulations, monitoring its environmental impact and implementing environmentally-friendly actions.

A detailed description of the management of the foregoing risks has been set forth in the various sections of the report pertaining to relations with clients, employees, business partners and communities and to respecting human rights, preventing corruption and managing the natural environmental impact. [GRI 102-11, 102-15, 102-30]

4.2. METHOD OF RISK MANAGEMENT

Bank Millennium manages financial, operational and social risk chiefly by taking into account the safety of client funds. Every year it evaluates the significance of the types of risk identified, it drafts the relevant management procedures and it sets up capital buffers if required. The risk management process in the Bank and the Bank's Group is uniform to a high degree and it may be treated as a common system applicable to the overall Group.

The operational risk management structure defines individual management levels and the scopes of their duties and responsibilities. The owners of business and supporting processes play a crucial role in the Group's daily activity. Process owners are best fit to identify and curtail the threats that occur as the first line of defense based on their profound process knowledge. The second line of defense is the level of specialized entities that deal with the organization of management processes and the control of an acceptable level of risk, with special emphasis on the following areas: compliance, countering abuse, employee issues, safety and ensuring business continuity, insurance and subcontracting. The third line of defense is the independent internal audit unit.

The Bank's Management Board designs and introduces a risk management system and monitors its operation. The Bank's Supervisory Board oversees the implemented system and assesses its adequacy and effectiveness at least once a year. [GRI 102-11, 102-30, 103-2 103-3]

5. MISSION, VALUES AND ETHICS

The Bank's mission is to support clients in the achievement of financial success now and in the future. The Bank is building its competitive advantage on the values forming the basis for how it does business.

5.1. THE BANK MILLENNIUM GROUP'S VALUES



We are building the relationships based on trust

We can rely on ourselves, and, when developing and implementing ambitious goals, we remember about ethics and our collaborators. Responsibility, respect, support and understanding are cementing our community and help us strengthen our leading position among the best banks in Poland. We are building trust in the Bank by serving as its ambassadors.

Quality and innovation are our passion

We set the standards of perfection and create trends in banking. Openness, enthusiasm, searching for best solutions and breaking the barriers are embedded in our thinking, actions, products, services and processes as well as relations with the outside world and within the organization.

We develop employees and we promote cooperation

In our organizational culture, goals and successes are achieved through mutual inspiration, exchange of competence and experience. We discover and reward the people who through their actions motivate others to show their best self.

We always aim higher

When others are achieving the peak of their capabilities, we always want more. We develop and raise employee and team competences through training and certification programs. We carefully observe the environment, perfecting and changing ourselves, and we actively respond to challenges of the future.

5.2. ETHICAL STANDARDS [GRI 102-16, 103-1, 103-2, 103-3]

The Bank Millennium Group has a system for managing ethics that consists of the following:

- **Code of Ethics** - lays down our ethical principles. The Compliance Department is responsible for articulating the principles of the Code of Ethics, communicating and promoting ethical values and evaluating the adherence to the principles of ethics;
- **institution of the Ombudsman on Ethics** - the manager of the Compliance Department discharges this function. The tasks of the Ombudsman on Ethics include watching over adherence to the Code of Ethics, promoting and advising on ethical standards, ordering the inspection of compliance with the rules of ethics and looking to cases of their violation;
- **system for training on ethics** and notifying of changes to the rules of ethics;
- **procedures, policies and rules** containing the guidelines on proper conduct;
- **system for reporting breaches** of ethical standards, also anonymously;
- **system of inspection of compliance with the rules of ethics** - encompasses periodical inspections and one-off inspections carried out upon the initiative of the Ombudsman on Ethics. As part of periodic inspections carried out at least once every two years, the compliance unit assesses the risks related to breaching the rules of ethics.

The Bank Millennium Group's Code of Ethics



The Bank Millennium Group has a Code of Ethics whose policies define the values by which its employees should be guided in the performance of their duties and in their relations with other associates and the Bank as their employer. This Code also outlines guidelines regarding relationships with clients, the market and suppliers, and applies to areas such as service quality, ethical sales, fair competition and communication, rules for conducting trade relations and counteracting money laundering. The Code also contains anti-corruption policies, including the rules for accepting and giving gifts, and participating in and organizing tenders.

The Bank also has in place a separate Code of Ethics for the employees providing services to the Prestige and Private Banking segment clients. That Code outlines in particular the rules for ethically performing the financial operations, collaboration with third parties, performance of operations on own accounts, and the transaction authorization rules. It also sets forth the

employees' duties and the rules on how to handle confidential information and professional secrets which may be accessed by them in the course of performance of their professional duties.

Every employee is obligated, by completing a mandatory e-learning course, to become familiar with the Code, confirm its knowledge and apply the rules included in the Code in their daily work. The employees may report breaches of ethical standards, and the procedure for reporting a breach is described in the Codes. [GRI 102-17]

Employees trained on the Code of Ethics*	2018 Bank	2018 Group	2017 Bank	2017 Group	2016 Group	2015 Group
Management staff	31 (3%)	36 (4%)	54 (6%)	57 (6%)	734 (92%)	16 (2%)
Other employees	1,203 (25%)	1,259 (24%)	1,153 (21%)	1,202 (20%)	4,073 (78%)	349 (7%)

* participated in the training for the first time

[GRI 412-2]

The Code of Ethics is also provided to the Bank's suppliers. Every supplier taking part in a tender procedure must undertake to observe the rules included in the Bank Millennium Group's Code of Ethics by signing a representation to that effect. As of 2017, the clause containing an obligation to comply with the Code has also been included in agreements concluded with suppliers.

In addition, the employees of Millennium Dom Maklerski comply with the Code of Best Practices of Brokerage Houses adopted by the members of the Brokerage Houses Chamber.

5.3. RESPECTING HUMAN RIGHTS

Issues concerning respecting human rights are described in the Bank Millennium Group's Code of Ethics, the Diversity Policy as well as in anti-discrimination and anti-mobbing procedures.

The Bank Millennium Group operates while respecting human dignity, it objects to discriminatory practices and complies with the principles of equal treatment regardless of age, gender, ethnic or national origin, religion, creed, family status, sexual orientation, health condition, convictions, trade union membership and other premises that could trigger discrimination. This information does not constitute the criteria for selection of employees, termination of their employment, setting their terms of employment, promotion and access to benefits and training to raise their professional qualifications.

In the Bank Group, employees exercise, among other things, the right to information and consultations, collective bargaining agreements and collective actions, social and housing aid, good working conditions, social assistance and healthcare access. The policies prevailing in the Bank Group and the outcomes of their application are described in chapter "Employees".

Every supplier taking part in a tender procedure must undertake to observe the rules included in the Bank Millennium Group's Code of Ethics, including the respect of human rights and compliance with anti-corruption policies, by signing a representation to that effect. The clause containing an obligation to comply with the Code of Ethics is also included in agreements concluded with suppliers.

In 2018 Bank Millennium and the Association of Stock Market Issuers (SEG) organized a **meeting on the impact exerted by the business of financial sector companies on respecting human rights**. The companies' representatives in attendance at the meeting discussed the challenges with which they are grappling when reporting on human rights issues, while representatives of non-governmental organizations pointed to the stakeholders' expectations in this area.

II. BUSINESS

1. BANKING FOR EVERYONE

One of the Bank's priorities is to make it easier for clients to live on a daily basis by offering them convenient and intuitive access to financial and non-financial services. The Bank achieves this goal by introducing a number of innovative solutions to its offering. [GRI 103-1, 103-2, 103-3]

1.1. INNOVATIVE BANKING AND NON-BANKING SERVICES

In 2018 the Bank continued to develop electronic banking and mobile banking by rolling out innovative solutions. **The key to all the changes orchestrated by the Bank is client centricity and the concern it shows to offering the best quality user experience - attentively listening to clients, observing their preferences and testing services with them in the bank User Experience Lab.** The solutions that have been rolled out are based on the latest technologies and offer an even more convenient method of utilizing internet banking and the application:

- **Milla Chatbot.** In 2018 Bank Millennium launched the first bank chatbot in Poland. By leveraging elements of artificial intelligence and technology to recognize voice and intention, the Milla Chatbot may conduct a voice or text-based conversation with a client. It will field questions, and if necessary, it will pose follow up questions about particulars and perform the task in question. Milla is presently capable of executing wire transfers, topping up prepaid cards and mobile phones, showing the transaction history and upcoming payments, specifying when the wire will reach its recipient and stating the bank's contact data. In the future, it will enable clients to search for other information and navigate the mobile application.
- **Mobile Authorization.** Thanks to this new solution bank operations may be confirmed more conveniently in the Bank's mobile application without waiting and transcribing an SMS P@ssword. Clients transacting operations in the Millenet internet banking system must merely log in to the mobile application and with a single touch to the display screen confirm the performance of an operation. The application also shows the history of all authorized operations plus their status and time of execution.
- **BLIK payments.** New functions have been implemented: clients who perform a BLIK transfer to a phone in the mobile application see which ones of their acquaintances from their mobile phone's contact list can receive such a transfer; by extending PayByLink internet payments to include the BLIK service when remitting payment for web purchases online, the BLIK code can be used without having to log in to the internet banking service; cash deposits can be made with BLIK without using a card.
- **Changing the number of a personal identity card** in the mobile application and the internet banking service. This service is based on technology thanks to which the banking system directly communicates with public administration systems where data are checked automatically. This means that clients and the bank are certain that the data have been keyed in correctly.
- **Purchase of urban transport tickets and paying for parking.** Urban transport passengers can buy a ticket, validate it and produce it for inspection in their handset. Vehicle drivers may use the application to pay for the actual parking time without having to pay in advance as is the case with a parking meter.
- **Purchase of travel insurance with an option of quick contact with an insurer.** Bank Millennium is the first and only bank in Poland to offer the „Travel Assistance” service. It is a special button available in the mobile application, which may be set in such way so that it is visible before logging in. It works even without Internet access and makes it possible to place a direct phone call to the insurer or send a text message to it with a callback request. The content of the message is generated automatically - it contains the policy number and the client's location. The insurer immediately obtains information on where a given person is located, and is able to arrange the necessary help quickly. The Bank received an award for the “Travel Assistance” solution in international competitions: The Innovators organized by the Global Finance magazine and EFMA Innovation in Insurance.
- **Purchase of car insurance** fully online with an innovative function of entering the car details by scanning the Aztec code from the vehicle registration document.

- **Contactless payments using a handset in HCE technology along with the ability to create the virtual counterparts of plastic cards.** Bank Millennium was the first bank in Europe to incorporate this method in its own payment solution.
- **Fingerprint confirmation of 3D Secure transactions.** This service is used in payments through payment cards in the Internet executed with an additional security feature. Previously, 3D Secure transactions were authorized through text message passwords or PIN.
- **Access to e-administration.** Bank Millennium supports development of e-administration in Poland by allowing for handling official matters with the use of its internet banking system. In the Millenet internet banking system, one may create a Trusted Profile (free-of-charge electronic signature) providing access to public administration services online 24 hours a day. As the client's identity is confirmed by the Bank, it is not necessary to visit an office to set up a profile. In the Millenet system, one can also apply for 500+ and Good Start benefits. The Bank's share for both applications in 2018 was 9%.
- **Online company account for companies.** It is now possible to set up a company account through the Millenet internet banking system. It is sufficient to have a Taxpayer Identification Number (NIP) to open an account: the company's data are automatically downloaded from the CEIDG database while the agreement is signed by the client using an SMS password. The account is set up after the agreement is signed using the SMS code and is available immediately after completing this process.
- **Millenet Link.** This service gives Corporate Banking clients the ability to share information rapidly, effectively and safely with their internal finance and accounting systems and the Bank's internet banking system Millenet.
- **Millennium Leasing e-Client Service Center Module.** This is an integrated platform in the Millenet internet banking system for Corporates providing for online handling of lease agreements, monitoring liabilities, formal services and remittance of payments for leasing service.
- **Goodie smartshopping platform** Goodie is an intuitively operated buying platform accessible as an application for smartphones (downloaded by 1 million users) and as a website at www.goodie.pl. The platform was developed as an internal start-up within Bank Millennium. Through goodie, it is possible to view offers from promotional newsletters and information on discounts available at online and brick and mortar shops. The platform makes it easy to plan shopping and find inspirations and promotional offers aligned to the user's personal preferences and location. Data processing is one of goodie's significant attributes. The user does not have to adjust the application himself. The application adjusts the whole content and processes based on past and real-time data.

1.2. SOCIALLY RESPONSIBLE PRODUCTS

Bank Millennium and the Bank's Companies have in their offers products and services making it possible to improve clients' living conditions, facilitating finance management and savings, supporting the development of innovation and environment protection.

INDIVIDUAL CLIENTS



360° Account

The 360° account offer is universal and prepared so as to respond to the needs of various groups of clients regardless of their age and income.

Accounts for younger clients are always free of charge, while the structure of the 360° Account supports fee exemptions even if a minimal salary is credited to the account. The Bank does not set a requirement regarding the minimum amount of a single incoming amount or source of income. It suffices for the total proceeds to be at least PLN 1,000 regardless of whether those proceeds are for a job salary, social benefits, scholarships or cash deposits.

What's more, if the condition is met for the account to be free of charge, then the client also does not pay for any ATM withdrawals. This means that clients who have mobility-related problems (elderly and disabled persons) may use ATMs in locations that are convenient for them without taking any risk of additional fees for withdrawals from third party ATMs.

Clients whose finances do not allow them to order house calls by a physician can use this service in the event of a sudden illness affecting themselves or a child within the framework of the **Very Helpful Package** offered in conjunction with the 360° account. By selecting the Account with the Very Helpful Package a client can order 7 interventions in 12 free of charge months from the time of opening the account.

Having regard for younger clients the Bank's offer includes the **Student 360° Account** for people aged 18 to 26 and the **Junior 360° Account** for clients who have not yet turned 18. Lending them a helping hand to take their first steps in the world of finance, The Bank does not charge fees for account handling, while the debit card is free of charge if only one transaction is executed using the card.



WWF Millennium MasterCard Credit Card

WWF Millennium MasterCard is a credit card **supporting protection of the natural environment**. Bank Millennium transfers to WWF Polska, the national branch of the largest international foundation dealing with nature protection, half of the monthly fee for handling the card and a certain percentage of the transactions made using the card. Additionally, the card is made using an environmentally-friendly PETG polyester which may be recycled.

	2018	2017	2016	2015	2014
Number of WWF cards in the portfolio	1,466	1,306	1,515	1,396	1,583

Individual Pension Security Accounts

Millennium Dom Maklerski makes brokerage accounts available to its clients - IKZE (Individual Pension Security Accounts). IKZE are a type of personal pension program involving the accumulation of savings by investing through a brokerage account, thereby making it possible to increase one's pension in the future.

PRESTIGE AND PRIVATE BANKING CLIENTS

Bank Millennium's offering includes SRI (Socially Responsible Investing) mutual funds:

Fund	Description	Number of clients in the portfolio in 2018
BlackRock GF New Energy Fund	Invests in equities of companies chiefly operating in power generation using alternative sources of energy and energy technology sectors.	4
BlackRock GF World Healthscience Fund	Invests in equities of companies with substantial interests in healthcare, pharmaceuticals and medical technology and equipment as well as biotechnology development.	51
UniAkcje Biopharma	Invests mainly in shares of biotech, pharmaceutical and medical companies.	182
PZU Medyczny	Focuses on companies in the health care business - pharmaceutical and biotech companies.	487

CORPORATE CLIENTS

The Bank's offering for Corporate clients includes products to finance environmentally friendly investments and innovative activity of enterprises.

Environmentally and socially responsible lending

Within the industry policy that is in force, the Bank distinguishes high risk industries. One of the criteria for a given industry to be classified in this category is a negative growth outlook related, among others, with environmental threats. The Bank has default exposure limits for clients in respective categories, where the caps are the most restrictive for high risk industries.

Bank Millennium has inserted clauses in its rules and regulations for lending to Corporate Banking clients **on all clients having to meet the requirements of environmental protection and respecting employment rules**. This means that all the projects debt-financed by the Bank and all credit products are also subject to these requirements. [GRI G4 FS1, G4 DMA]

The rules and regulations contain certain restrictions regarding the financing of socially harmful activity featured on the EBRD (European Bank for Reconstruction and Development) Environmental and Social Exclusion List. **The limitations commit all borrowers not to use the funding received from a loan for projects associated with forced labor and all forms of discrimination in employment and production and trade in various substances recognized as dangerous and harmful to the environment**. Moreover, borrowers are obliged to run their businesses in compliance with environmental protection regulations and other health and safety regulations and the principles of social cohabitation.

Under the “General Terms and Conditions of a Lease Agreement”, clients agree to comply with the provisions about financing products while giving consideration to social and environmental factors. A client is also obligated, when using a leased asset in its business activity, to conduct this activity in compliance with all relevant laws, standards and other regulatory requirements at the nation-wide and local level with respect to protecting the environment, health and safety as well as principles of social cohabitation.

In the case of retail clients, loans granted for each investment are verified by the Bank in view of the investor’s/borrower’s holding appropriate environmental decisions that allow for performing the investment, such as the construction of a home / apartment building, etc. [GRI G4 FS5]

Financing of environmentally and socially friendly projects

To assist clients in the execution of various investment projects the Bank offers programs facilitating access to EU loans and products to finance pro-environmental and social ventures.

Eko Energia Lease Program



Clients can receive a flexible bonus (up to 5%) that grows over time by enrolling in the program and selecting a financed object from a broad spectrum of energy efficient machinery and equipment. The purpose of the program is to support Polish businesses finance technology contributing to lower consumption of energy. Clients can also reduce their costs by investing in energy efficient machinery and equipment. The Eko Energia Lease Program is financed from European Bank for Reconstruction and Development (EBRD) funds.

Loan for Technological Innovations

The loan for technological innovations, which is provided in cooperation with Bank Gospodarstwa Krajowego (BGK) within the framework of EU funds, offers the possibility of obtaining a non-refundable subsidy in the form of a technology bonus. The bonus is used by BGK for partial repayment of the loan granted by the Bank. The bonus amount may reach as much as PLN 6 million and up to 70% of eligible expenditures for micro and small businesses and up to 60% for medium-sized enterprises, based on the regional aid map.

The Loan for Technological Innovations is dedicated to companies that meet the criteria of being micro, small and medium-sized businesses and is designated for the implementation of a new technology facilitating the manufacture of goods, processes or services that are new or much better than previously produced in Poland. The project’s positive effect on the implementation of sustainable development principles is an important element considered in the loan application evaluation process.

De Minimis Guarantees



For more than 5 years, in cooperation with BGK, Bank Millennium has been actively involved in the national program of de minimis guarantees. A business in the SME sector may take advantage of a de minimis guarantee to collateralize the repayment of a PLN loan. The high amount of the guarantee (up to 60% of the loan amount and up to PLN 3.5 million) and the term of financing of up to 24 months in the case of working capital loans or up to 96 months for investment loans mean that this program has enjoyed great interest among clients.



Biznesmax Guarantees

This program run jointly with BGK is **addressed to companies engaged in implementing innovative investment projects**. Under the Smart Growth Operational Programme (SG OP), guarantees are granted to secure repayment of investment loans up to 80% of a loan for an amount of up to EUR 2.5 million. These are what are referred to as Biznesmax Guarantees that may be extended within the framework of “de minimis aid” or (if this cannot be applied) within the framework of “regional investment aid”.

The term of validity of the guarantees may last as long as 20 years. Biznesmax guarantee are totally free of charge to clients. A borrower who takes advantage of a loan with a Biznesmax guarantee may also receive reimbursement for a portion of the interest paid for a period of 3 years (grant under “de minimis aid”). This is a unique combination of a guarantee and a grant. [GRI 203-1]

Value of socially responsible products [GRI G4 FS7, G4 FS8]	Product portfolio value (m PLN)	Number of products in the portfolio
Loan for Technological Innovations	116.1	21
Leasing Eko Energia	51.2	635

1.3. BANKING WITHOUT BARRIERS

The Bank’s goal is to eradicate digital and physical barriers to accessing financial and non-financial services. Bank Millennium is not just a financial services center for its clients, but also their first access channel to other services, e.g. in its mobile application clients can buy urban transport tickets, pay for a parking spot or buy vehicle insurance by merely scanning a code from the vehicle registration document. Remote contact with Polish government offices is also possible through internet banking. The Bank endeavors to ensure that all its clients, including disabled persons have convenient access to financial services. For that reason many conveniences have been made for persons who are blind, visually impaired or use a wheelchair.

- **Bank Millennium’s Website and the Millenet internet banking system** are written in simple and understandable language and can be read using text readers. A visually impaired user can use the website with a keyboard - the mouse is not needed for navigation. In addition, the site has a text magnification feature and is designed for high-contrast reading. It is possible to log in to the mobile app with a fingerprint. In the same way, card transactions can be approved online using 3D Secure. **In 2018 the Bank won the “Website Without Barriers” competition organized by the Visible Foundation (Fundacja Widzialni)**. This distinction was granted for adapting the Bank’s website to the needs of blind and visually impaired users.
- **ATMs and deposit machines** - disabled people with impaired mobility can use the number keypad instead of function buttons next to the screen, which means that they do not have to reach too high. In addition, ATM’s number keypad makes it easier to use the device also by disabled people with vision impairments. After headphones are connected to the ATM, the user may enter instructions through voice messages. Additionally, persons with vision impairments may use a special black and white screen mode which enhances contrast and legibility of displayed messages. 100% of our ATMs are customized to meet the needs of disabled persons.
- **Access to outlets** with architectural barriers - more than 70% of the Bank’s branches are accessible to disabled persons. When it adapts and modernizes its branches the Bank pays attention to eradicating architectural barriers.
- **Customer service desks with seating** offering wheelchair access - they are in place in more than 100 branches.

- **Service over the phone** - clients using the Bank's hotline can use the voice command feature during the call instead of using the phone's keypad.
- **Easier signing of agreements** - blind or visually impaired persons or people who cannot read can still sign an agreement with the Bank on their own in the presence of two branch employees and - at the client's express request - in the presence of a witness trusted by the client. In such cases, an outlet employee can also read the agreement aloud and/or in the case of customers who cannot write, they can sign using an ink fingerprint.
- **Service standards of the disabled** - detailed guidelines binding on employees of all of the Bank's outlets.

[GRI 103-1, 103-2, 103-3, G4 DMA, G4-FS13, G4-FS14]

Bank representatives participating in the work undertaken by the Polish Bank Association to enhance the accessibility of sites and services to disabled persons:

- put forward suggestions regarding the bill on the accessibility of public utility venues to disabled persons drafted by the Ministry of Investment and Development (Accessibility +);
- took part in the preparation of the "Accessible ATM" service;
- took part in the survey questionnaire drafted by the Polish Association of the Deaf concerning service provided to persons with hearing impairments. [GRI 102-12]

Accessibility of services	2018	2017	2016	2015	2014
Number of outlets	361	355	369	413	423
% of outlets accessible to disabled persons	72%*	91%	90%	89%	89%
Number of ATMs	487	483	490	519	539
% ATMs accessible to disabled persons	100%	100%	100%	100%	100%

* The decline in the number of branches is the outcome of using more stringent internal criteria for assessing their accessibility.

2. QUALITY OF CUSTOMER SERVICE

The quality of customer service is one of the fundamental values espoused by Bank Millennium and an important part of its competitive advantage. The work done on quality, meaning our efforts to deliver the best customer experience is a continuous activity. The following stages may be distinguished in this subject matter: identification and understanding of client expectations, design of experience and implementation in contact channels and monitoring the key processes and contact points (e.g. branch, information line, internet) and then streamlining them. [GRI 103-1, 103-2, 103-3]

Clients and independent auditors alike appreciate the high quality of service offered by the Bank. 93% of all retail clients are satisfied with their cooperation with the Bank, while 53% of the corporate clients recommend it to others. In 2018 Bank Millennium placed in the prestigious ranking called Newsweek's Friendly Bank in all the categories: traditional, mobile, internet and mortgage banking. In turn, according to the survey administered by ARC Rynek i Opinia, it was the bank whose clients are the most satisfied and the most loyal and who are the most willing to give a recommendation (the highest score on the market NPS = 61).

Bank Millennium was also recognized as the best in the financial sector and among the TOP 10 best Polish brands in Customer Experience, according to consumer research conveyed and published by KPMG.

2.1. HIGH CUSTOMER SERVICE STANDARDS

Client Service Standards are in force in the Bank in all of its sales and operational units including, among others: **standards for branch employees, teams providing services to Prestige Clients, Corporate Banking Clients, information line teams, electronic communication, complaints handling units and the Bank's Head Office employees.** Client Service Standards are updated on periodical basis depending on the client's changing expectations and financial needs.

The Standards are one of the first and key documents which are read by every Bank employee. They are discussed in detail and practical exercises are conducted on them during preliminary training and during the first days of employment.

Client Service Standards are intended for all the direct customer service employees, and they contain, among other things, specific guidelines on how to greet/say goodbye to the client, talk to the client, present the Bank's products, clarify doubts or handle the client's complaints.

Client Call Scripts augment the Client Service Standards used in the Bank's outlets and its information line; they refer to various products: personal accounts and accompanying products as well as loan, savings and investment products. They define the framework of conversation with the client on the subject of the Bank's products. Client Call Scripts refer to specific elements of client service, procedural and regulatory duties. Therefore, they provide the client with comprehensive and understandable information. Failure to comply with the standards of services involves the risk of unethical sales and misleading the client, which may entail legal consequences and cause harm to reputation.

2.2. IDENTIFYING CUSTOMER NEEDS

Bank Millennium treats client needs at the center of its interest; that is why it is so important to identify them. **The key to designing the best experience is gaining a profound grasp of client needs (empathy).** To identify and grasp evolving needs, comprehensive client opinion research is conducted regularly in the Bank's main contact points (e.g. branch, information line, internet). There are nearly twenty thousand interviews conducted annually. Complaints are also subject to analysis to identify areas requiring improvement.

A specialist research team is at work in the Bank. This team uses a broad array of research techniques and methods - ranging from standard quantitative questionnaires to qualitative interviews and online qualitative research and ending with more specific research such as UX research, ethnography (also utilizing elements of behavioral economics). The research also supported the projects carried out under the Service Design methodology, where the full understanding of client needs is of crucial importance.

The findings in client research are translated into project guidelines and subsequently into measurable ratios that are tracked on a constant basis. Discovering client expectations is the constant starting point for each and every project aimed at changing a process, product, communication or the client service model in Bank Millennium. Before implementation the solutions we design are formulated as prototypes and tested in research and conversations with clients.

Quality and satisfaction survey	2018	2017	2016	2015	2014
Surveys conducted	27	21	24	24	15
Number of customers surveyed	104,822	31,493	39,551	65,207	102,000
Number of Mystery Shopping visits	3,500	4,065	3,900	4,000	4,200

The satisfaction and level of recommendations among retail clients in internal research stayed at a very high level in 2018, with a Net Promoter Score (NPS) of 51 and 93% satisfied clients. Similarly to previous years, clients point to high quality of service (especially in branches), competitive offer (chiefly the 360 account) and modern solutions (mobile and internet banking) as the bank's strengths. **Clients who use the mobile application are particularly appreciative of the Bank** - for these clients, the NPS ratio is 61 (versus an average NPS of 51). Among all the contact channels, these are the highest rated electronic channels - 97% of our clients are satisfied with internet banking and with the mobile application. In order to maintain its high service quality level, the Bank constantly runs Mystery Shopper research.

	2018	2017	2016	2015	2014
NPS ratio*	51	51	39	31	33

* indicates clients' willingness to recommend products and services. These data refer to the Bank's internal research and pertain to retail clients.

Certain Group companies conduct client expectation surveys on their own, e.g. the Millennium Brokerage House collaborates with the Individual Investors' Association on the project entitled Nationwide Investor Survey. The research findings are used not just to define the investor profile but also to identify investor needs and preferences. Millennium TFI offers its products through distributors of participation units and does not have direct contact with clients. Client expectations are identified through the TFI's relations with distributors.

2.3. COMPLAINTS MANAGEMENT

The Bank's purpose is to build a positive client experience and enhance client service satisfaction during the complaint handling process. The documents governing the issues related to complaints are the product rules and the "Complaints Handling Instructions". **The results of adopting this policy are manifested by higher client satisfaction with complaints handling, shorter complaints examination, delegating more powers to employees who have been trained on the principles of straight forward client communication.** The risks associated with the failure to adhere to the policy include the loss of reputation, legal and financial risks stemming from the "Act on complaint examination by financial market entities and on the Financial Ombudsman".

Clients can submit a complaint through several channels: in the branch, by phone, through electronic banking and by mail. Clients who are especially active are invited to participate in tests and give opinions on new products and system solutions. **All problems reported by clients are subject to analysis.** The conclusions from analyzing complaints and client suggestions are taken into consideration when streamlining products and services. 190 initiatives were collected in 2018 in the Voice of Customer (VOC) program to eliminate the causes of complaints; 81 of them were implemented (or partially implemented), while 104 of them are in the process of being implemented.

Many actions were undertaken to streamline the complaints process for the purpose of shortening the complaints examination period and enhancing the level of client satisfaction:

- The complaints examination process was implemented on the first line (during the first client contact with the Bank).
- Client responses use simple language with clear text layout.
- The principles of cooperation with the Bank's other units participating in the complaints process have been modified to shorten the length of complaints examination.

Complaint reports are forwarded monthly to the people responsible for individual products and processes allowing the Bank to analyze the quality of services it offers on an ongoing basis and take optimization measures. A broad range of ratios related to complaints is reported on a monthly basis, while the effects of the overall complaints handling process are presented regularly at the Process and Operational Risk Committee meetings and also at the meetings of the Supervisory Board's Audit Committee.

Client satisfaction with the complaint process	2018	2017	2016	2015	2014
Clients satisfied and very satisfied with the complaint process	85%	76%	77%	76%	72%
% of clients that recommend the Bank	52%	55%	52%	44%	41%
NPS ratio* on the complaints process	35	37	36	21	18

* indicates the willingness to recommend the Bank's products and services

Group companies manage complaints on their own Millennium Leasing has in place the procedure for submitting and reviewing clients' complaints. Millennium Towarzystwo Funduszy Inwestycyjnych (TFI) offers its products through distributors of participation units and does not have direct contact with clients. Client complaints are submitted to Millennium TFI as well as to distributors. The Bank reviews complaints related to the customer service provided by its employees. To the extent involving the quality of products offered by Millennium TFI, complaints are handled, at TFI's request, by the transfer agent who keeps the registers of participants and conducts transactions regarding the participation units. In the Brokerage House, complaints are handled jointly by the Bank when they pertain to the services provided by Bank Millennium as the Agent of Millennium DM.

Complaints filed*	2018	2017	2016	2015	2014
Number of complaints filed	70,707**	44,493	41,750	39,536	41,973
Number and % of complaints handled in favor of customers	52,507 (74%)	30,315 (68%)	26,755 (64%)	23,787 (60%)	23,061 (57%)
Number and % of complaints submitted concerning privacy breaches or loss of customer data [GRI 418-1]	275 (0.4%)	160 (0.4%)	175 (0.4%)	300 (0.8%)	362 (0.9%)

* complaints reviewed by Bank Millennium (except for investment products)

**The increase in the number of complaints filed resulted mainly from the increase in the number of customers and banking transactions

3. RESPONSIBLE ADVERTISING AND SALES

3.1. RELIABLE MARKETING COMMUNICATION

In accordance with the principles of advertising banking services drafted by the Polish Financial Supervision Authority, **Bank Millennium's advertisements are not misleading and show the important features of the products and services as well as related benefits and costs.** They also depict their legal nature and provide information about the level of possible risk carried by the client. If the message focuses on a promotional offer, its conditions and term of its validity are specified. Clients also receive information where they can receive detailed information regarding a given promotion. [GRI 103-1,103-2, 103-3, 417-1]

Marketing materials prepared by the Bank Millennium Group are compliant with the laws and regulations applicable to this area, including in particular with:

- the recommendations laid down by the Code of Ethics in Advertising devised by the Marketing Communication Association (SAR),
- the Principles for Advertising of Banking Services of 2008 laid down by the Polish Financial Supervision Authority,
- new Best Practices on consumer loans advertising standards of the Polish Bank Association of 2015,
- provisions of the amended Consumer Loan Act of 22 October 2017,
- Mortgage Loan and Supervision of Mortgage Loan Intermediaries and Agents Act,
- internal instructions applicable to the rules for devising informational and advertising materials for banking products and services in Bank Millennium and the rules for preparing commercial publications regarding financial products and instruments in Bank Millennium. [GRI 417-1]

Any change or introduction of a document or marketing material for buyers of respective products is preceded by consultations within the Bank, verification by the legal, compliance, marketing communication and product teams, in order to provide clients with clear and reliable, legally-required advice about the products offered. Implementing marketing communication standards attenuates reputation risk and the risk of sanctions for non-compliance with regulations. [GRI 102-11, 102-30]

In 2018, there were no cases of the Bank Millennium Group failing to comply with regulations relating to marketing communication. [GRI 417-3]

3.2. TRANSPARENT INFORMATION ABOUT PRODUCTS AND SERVICES

The Bank provides clients clear and understandable product information through its employees in sales and client service channels such as branches and its phone information line, and in the form of texts in electronic channels. All the **employees** who provide the clients with information **are properly trained** in the scope required by the law, sectoral regulations, best practices and quality standards implemented by the Bank. **Bank employees are informed on an ongoing basis about any significant changes** in sales and client service through the Bank's various internal communication channels. The product sales process is executed on the basis of standardized models to make it possible to **present an offer customized to a client's needs and expectations** with options that may be of interest to him/her, along with the scope of information necessary to make an informed decision about the purchase of a given product. How sales standards are followed and the scope and quality of information provided to clients are evaluated on a regular basis through Mystery Shopper surveys and as part of client satisfaction surveys. The method of sales and client service is also checked and streamlined through inquiries and client complaints.

Advising of mortgage products

A customer filing a loan application with Bank Millennium receives, at each stage of the process, thorough information about the product and the associated risks. **To present clear and accurate information to clients, employees regularly participate in training courses to acquire knowledge about the offered mortgage products, duly customizing products to a customer's current needs, the course of the credit procedure - with particular consideration given to a number of reporting duties toward customers in the process of presenting the Bank's offer.** The Bank also fulfills on an ongoing basis any reporting duties required in the process of granting of a mortgage loan. These duties stem from the pertinent laws or the recommendations formulated by the Polish Financial Supervision Authority or the Office of Competition and Consumer Protection.

Security of investments

The Bank observes the requirements of the MiFID2 directive (Markets in Financial Instruments Directive). In accordance with them, when offering investment services the Bank is obligated to do the following before a product purchase is made by customer:

- classify the client to one of three investor groups,
- conduct a test to identify target markets and ensure that the offered investment products and services are suitable to a given client,
- provide reliable information that is not misleading about products and risks associated with investments in those products,
- to develop a policy of acting in the best interests of its clients and a policy to prevent the conflict of interest and inform the client about these policies.

To ensure the best possible protection level to its customers, the Bank applies some MiFID2 guidelines also to insurance and investment products, even though this is not required. **All the marketing publications prepared by the Bank describe, among others, the risks associated with investments and sample scenarios related to the financial instrument or product. Clients are presented with complete and reliable information on the Bank's products and financial instruments distributed by the Bank, including their issuers and the terms of the complaint process. Information on services, bank agreements and documents, letters sent to clients are drafted in a precise, comprehensible and transparent manner.**

All information documents concerning investment products offered by Bank Millennium provides relevant information on the following: the investment risk, legal disclaimers and the sites where information on the funds, including financial data, is published.

Before starting to sell investment products on their own, employees must have at least six months' experience in offering them and must pass a products knowledge test. Employees also go through mandatory training on MiFID2 and product training in the form of e-learning. Product training describes detailed characteristics of a given product and defines the risks associated with investing in a given product or financial instrument.

If the law or internal regulations governing any financial products change, **e-learning refresher training is made available** to employees. In addition, employees regularly take advantage of periodic market and product-related conference calls and have constant access to current product presentations. **[GRI 103-2] [GRI 417-1]**

3.3. ETHICAL STANDARDS IN CLIENT SERVICE **[GRI G4 FS15]**

Sales personnel in Bank Millennium follow the guidelines laid down by the **Book of Client Service Standards**. The guidelines obligate employees to do the following in particular: analyze client needs, clearly present the Bank's offer, discuss the rules on how the product operates, present cost-related information, diagnose client doubts, provide explanatory information and finally - confirm that the rules on the product's operation are intelligible to the client prior to signing an agreement.

At the Bank Millennium Group, ethical sale of products is regulated not only in such guidelines as **the Code of Ethics, Book of Standards or legal regulations**. Attaching great importance to the quality and a high level of ethical sales, the Bank also drafted **Client Call Scripts** about daily banking products, credit products and saving and investment solutions. These scripts have been in operation for several years and are gradually being updated and optimized. Each implementation of a new script involves mass implementation of the solution among direct customer service employees and training. All modifications to call scripts focus on providing clients with thoroughly transparent information and education to ensure that they are fully aware of the Bank services they utilize.

Adherence to the Client Call Scripts and Client Service Standards is constantly monitored by a unit specially set up for this purpose. Results of the monitoring activity are delivered to the Bank's Management Board and the direct superiors of the assessed employees, and are also used to take remedial actions at the level of the Bank as a whole. The monitoring of compliance with sales standards and ethics is also conducted independently of the Bank by various types of service quality rankings. The Bank treats them as very important and takes into account any conclusions that can be drawn from them.

Ethical sales regulations are also in force in the companies. Millennium Dom Maklerski has implemented a number of documents governing the rules for showing due diligence in client contacts. The most important ones are the rules and regulations for providing brokerage services, contracts executed with clients and the "Policy of executing orders and acting in accordance with the best interest of the Client at Millennium Dom Maklerski SA".

Minimizing the risk of over-indebtedness

Before offering a product, the Bank checks client needs to ascertain his/her knowledge about credit products and financial standing, whereby it is possible to tweak the manner of communication and align the product to his/her circumstances. **The risk of over-indebtedness and household budget mismanagement is minimized owing to advanced methods of assessing clients' creditworthiness and capabilities used by the Bank.** These methods make it possible to identify situations in which a client should not take out any more debt. The Bank offers its clients the opportunity to consolidate unsecured debt being repaid to other lenders, which often allows them to reduce their monthly credit charges in their household budgets and improve their financial security. Clients using online transaction banking may take advantage of advanced tools for managing expenses enabling them to deepen their knowledge on how to manage their budget effectively. [GRI 102-11, 102-30]

Assistance in repayment of debt

Bank Millennium offers a consolidation loan to clients who have difficulty servicing their debt with the option to amortize their debt in other banks. In addition, **clients may take advantage of a deferred payment of one installment of a cash or consolidation loan**, which is very helpful for those who must use the funds for an installment payment in a given month for other purposes.

If a loan is not repaid, the Bank first seeks to reach an amicable settlement, offering clients an opportunity to enter into restructuring agreements.

Debt restructuring applied by the Bank in the process of pursuing receivables involves the execution of an annex to the original agreement or a separate restructuring agreement whose content modifies the debt repayment terms binding for the client, as appropriate to the client's standing and financial capabilities. Such modifications may include: **reduction of the monthly repayment amount (temporary or for the entire repayment term), suspension of the payment of an installment in whole or in part, extension of the loan term, reduction of the interest rate, change of the installment payment date, change in the settlement sequence of the amounts to be repaid, change of the collateral or change of the installment amount.** In 2018, approximately 2.7% of the clients in the process of recovery of retail receivables benefited from these solutions.

Solutions for clients with an FX loan denominated in Swiss francs

The share of FX mortgage loans in the total portfolio of the Bank dropped to 26.6% at the end of 2018. **In 2018, activities supporting clients in loan FX repayment were continued.** The Bank carried out a number of communication activities regarding the available solutions, including loan repayment options via the Millenet application or the possibility to set individual conditions for full repayment of the loan. The clients may at any given moment take advantage of a special offer to make partial or total early repayment or convert their mortgage loan from a foreign currency into Polish zloty. It was also possible to reduce the Bank's margin, one of the elements of the interest rate, under these solutions. In the event of a partial early repayment it was possible to obtain a margin discount provided that the paydown was not lower than 10% of the outstanding balance of debt. In the event of a total early repayment it was possible to agree on individual terms and conditions for the repayment. Insofar as the parties did not agree otherwise, the instructions were executed at the exchange rate equal to the National Bank of Poland's (NBP) current average exchange rate published on the date of executing the instructions. The Bank's special offer has been in force without interruption (with some minor modifications) since 2015.

In 2018, Bank Millennium continued to follow the solutions introduced under what is known as the "six-pack", namely:

1. Accepting a negative LIBOR rate for calculating the interest rate for mortgage loans.
2. A significant reduction in the FX spread leading to a perceptible decrease in the loan installments paid by clients.
3. At a client's request, extension of the repayment term or temporary suspension of loan installment repayment so that the installment amount is not higher or just slightly higher than before freeing the exchange rate. These requests may be made only by borrowers residing in the property for which the loan was taken.
4. Desisting from the demand for borrowers to furnish new collateral and loan insurance if they pay their loan installments on a timely basis.
5. Providing the borrowers with the opportunity to replace the loan currency from CHF to PLN at the exchange rate equal to the average exchange rate published by the NBP.

6. Making the rules for mortgage loan restructuring more flexible for clients residing in properties subject to loans.

Two class action suits related to the indexation of loans denominated in Swiss francs and insurance for the low down payment are pending against Bank Millennium. These cases are undergoing examination and no judgment related thereto has been pronounced. [GRI 206-1]

3.4. CLIENT EDUCATION

In 2018 the Bank conducted a series of meetings with businesses on **cybersecurity**. This series was addressed to the members of management boards who are responsible for finance, financial directors and chief accountants. Issues related to the safe usage of the internet were touched upon during these meetings. Cases studies were used to portray the methods employed by criminals in contacts with employees of the teams responsible for finance to steal money or obtain access to confidential information.

Bank experts also conducted workshops on the topic of **cybercrime and fraud prevention**. Practical case studies were used to depict the risks encountered in the corporate payment process and the operating schemes cybercriminals follow. Participants were also familiarized with safety rules that may help them protect themselves against attacks and embezzlement when utilizing corporate electronic banking.

Moreover, in 2018 two webinars were held with the participation of bank experts. During these meetings the methods for effectively **managing FX risk in a business** and **creating an effective compliance culture** (ensuring compliance with binding regulations) were discussed.

4. SAFETY OF CLIENT FUNDS

Ensuring the safety of the funds entrusted by clients is a priority in the Bank Millennium Group's activity. Efficient management of this area is governed by the policies of information security, prevention of abuse and risk management, code of ethics and best market practices, which are in force both at the Bank and in the Group's Companies. The Bank's internal regulators serve the prevention and identification of various risks related to the conduct of banking business. Employees are trained regularly on the rules for preventing abuse and ensuring protection of the clients' funds and data.

4.1. COMPLIANCE WITH THE REGULATIONS

The rules and standards to ensure compliance with internal and external regulations are described in the "**Compliance Policy**" for the Bank Millennium Group. When monitoring compliance with internal and external regulations, Bank Millennium considers the following issues to be particularly important:

- preventing money laundering and financing of terrorism,
- ensuring compliance of Bank Millennium's internal regulations with generally applicable provisions of law and with recommendations formulated by regulatory authorities;
- preventing and managing conflicts of interest;
- observing ethical principles;
- restrictions on personal transactions and protecting sensitive information related to Bank Millennium, financial instruments issued by the Bank and information related to the sales / purchase of such instruments
- monitoring and ensuring compliance with respect to the financial instruments covered by the EU MiFID2 directive.

The Bank's compliance report is presented quarterly to the Bank's Management Board and the Supervisory Board's Audit Committee and annually to the Supervisory Board. [GRI 102-17, 103-2, 103-3]

No fines for non-compliance with the law or regulations were imposed on the basis of a legally binding judgment on the Bank in 2018 [GRI 419-1]

4.2. FRAUD PREVENTION

Based on the **Fraud Risk Management Program**, elements of a system for counteracting frauds are built and adjusted to the company's needs. This system enables coordination of actions taken by the Bank's various units involved in fraud detection, investigation and prevention, while simultaneously providing professional tools and solutions to ensure effective protection of the Bank and client funds.

One of the most important elements of the overall system for combating fraud in Bank Millennium are Bank employees - especially employees who have direct contact with clients, whether in a branch or through an information line. The success of subsequent steps aiming, for instance, to recover funds lost by a client depends most frequently on that employee's attitude, knowledge and rapid response. That is why **the Bank**

attaches the greatest attention to training branch employees. In addition to training for new sales network employees (695 people trained in 2018), a site is run on the Bank's intranet containing all the necessary information and materials; new information is also sent out to employees about new procedures and methods used by fraudsters. Another important constituent element of the program is the dedicated **electronic mail account and the emergency telephone number that operate 24 hours a day, 7 days a week and 365 days a year**. Every Bank employee may immediately clear up any doubt related to a suspicion of fraud. Alerts are directed to the Fraud Risk Management Team. It plays a support role, it makes decisions and it directs the next actions to minimize the risk of fraud.

4.3. ANTI-MONEY LAUNDERING AND COUNTERING TERRORISM FINANCING (AML/CTF)

The Bank's **Anti-Money Laundering and Combating Terrorism Financing (AML/CTF) Program** is a comprehensive system to identify risk areas related to the crime of money laundering.

The Bank Group's Companies have separate fraud prevention policies; however, the actions taken in the application of these policies are similar. They involve, among others, the use of financial security measures depending on the evaluation of money laundering risk, registration and reporting of transactions, selection of suspicious transactions, cooperation with the Inspectorate General of Financial Information.

Bank Millennium and the Bank Group Companies adjust their reports on an ongoing basis to the analysis of suspicious transactions, by adding the schemes operating in a given period (sectors, money flow directions, client behavior). These activities aim to identify effectively and report transactions that may be related to the illicit activity of money laundering.

Efficient operation of the fraud prevention policies is procured through the implemented internal procedures, organizational solutions and employee training programs.

AML Program - preventing money laundering	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank
Number and % of trained employees*	1,511 (24%)	1,381 (24%)	1,572 (26%)	1,247 (23%)	1,093 (20%)	1,259 (23%)
Number of Suspicious Activity Reports (SARs) sent to GILF**	224	221	177	176	148	152
Number of clients covered by the SAR reports	842	839	558	557	450	472

* new employees of selected units undergo training

**General Inspector of Financial Information

4.4. PREVENTING CONFLICTS OF INTERESTS

In 2018 the Bank implemented a new „Policy for the prevention of conflicts of interest in Bank Millennium S.A.". According to its wording, the Bank has implemented effective procedures and means to prevent the emergence of conflicts of interests such as principles regulating the execution of transactions for the own account of involved persons who are directly or indirectly affiliated with the Bank through a relationship of control; the flow of confidential information and limitations concerning the execution of personal transactions by Bank employees; compensation policy (ensuring that the compensation of Group employees does not constitute an incentive to place their own interests above the interests of a client).

The Bank's Management Board is responsible for the proper management of conflicts of interests and supervising them. The Compliance Department conveys a report on managing conflicts of interest in intervals that are at least annual, including information concerning all the identified conflicts of interests.

Some Companies adhere to specific regulations on top of the regulations that span the Bank Group, e.g. Millennium Dom Maklerski has the “Rules and regulations for managing conflicts of interest in Millennium Dom Maklerski S.A.” and the “Policy for countering conflicts of interests in Millennium Dom Maklerski S.A.” [GRI 102-25]

4.5. COMBATING CORRUPTION

The rules for preventing corruption are described in the “Bank Millennium Group’s Code of Ethics”. To prevent corruption risk the Bank Millennium Group identifies the areas that are the most vulnerable to risk and defines the rules of conduct to prevent corruption including: the rules and conditions for ethically accepting and giving (offering) benefits in the Bank Millennium Group and the rules for Bank Millennium and its subsidiaries to participate in tenders. A breach of the foregoing rules forms cause for the enforcement of official consequences, and in special cases for criminal prosecution.

The regulations also refer to the Bank’s business partners. Every supplier taking part in a tender procedure must undertake to observe the rules included in the Bank Millennium Group’s Code of Ethics by signing a representation to that effect.

Within the framework of mandatory training on the Code of Ethics employees familiarize themselves with the Bank Millennium Group’s anti-corruption policy. [GRI 205-2] They may also pose questions and report observed irregularities via a dedicated telephone line or e-mail inbox or they may contact their immediate supervisor or the person running the Compliance Department.

During internal audits, the vulnerability of bank processes to various types of threats and fraud, including corruption, is examined. [GRI 103-1, 103-2, 103-3]

Risk of corruption	2018	2017	2016	2015	2014
Number and % of organizational units analyzed for corruption risk	It is difficult to specify the number of audited units, since audits concern processes and several organizational units may be involved in each process.				
Actions taken after corruption cases are found	No corruption cases have been found				1

[GRI 205-1, 205-3]

Some Companies have their own anti-corruption regulations. Millennium Dom Maklerski has implemented, among other things: *Rules and regulations for persons affiliated with Millennium Dom Maklerski S.A. to invest in financial instruments*, and the *Procedure for identifying, classifying and assessing the cash and non-cash benefits accepted and given by Millennium Dom Maklerski S.A. in connection with the rendering of brokerage services*. Millennium Towarzystwo Funduszy Inwestycyjnych applies the regulations stemming from the legal requirements applicable to that category of entities set forth in the *Rules and regulations for accepting and giving performance incentives*. [GRI 103-1, 103-2, 103-3]

4.6. SAFETY OF INFORMATION AND TRANSACTIONS

The information security system in place in the Bank Millennium Group is modeled after the international ISO/IEC 27001 standard which defines the requirements for establishing, implementing, operating, monitoring, reviewing, maintaining and improving information security management in the organization. The information security management system consists of a set of the documented processes in force in the Bank and in the Bank Millennium Group’s Companies in the part aligned to the profile of the activity they conduct.

The accepted information security management model determines the comprehensive system for protecting all information processed in the Bank, including information on clients, employees, business partners and transactions. In order to achieve this goal, the Bank uses a broad range of organizational, IT, telecommunication measures and in particular device protection mechanisms, systems, applications, databases and communication channels. The information security management model was constructed to safeguard against influence being exerted by key risks such as a potential loss of information concerning financial transactions, a leak of confidential information and inaccessibility of services.

The data and resources of Bank Millennium clients are under constant oversight of a dedicated specialist team ensuring security of all the channels used to access the Bank’s products and services. The company attaches particular importance to the security of our customers using electronic channels to access banking

products and services by improving technical and operational security measures. The Bank has been using tested and safe methods to confirm identity of IT system users and is constantly developing them to ensure safe and convenient access to the Bank's systems. Our clients may use innovative identification methods such as biometric fingerprint data.

New threats and methods employed by criminals are undergoing constant analysis to be able to counter them even more effectively. In addition, the Bank has been actively collaborating with other financial sector entities in Poland and internationally, sharing its knowledge about contemporary threats, trends and the evolving methods of abuse.

The obligatory **educational program applicable to all employees** is a significant part of the Bank's information security system. It contains a set of information about the best practices in personal data protection, banking secrets, company secrets and other confidential data. Moreover, the Bank is constantly honing the safety mechanisms it employs by submitting them to independent evaluations and audits conducted by reputable consulting companies and specialized firms.

Training on protection of personal data and information - number and % of employees trained	2018 Bank	2018 Group	2017 Bank	2017 Group	2016 Group	2015 Group
Classification, processing and protection of information in the Bank*	1,085 (19%)	1,139 (18%)	1,020 (19%)	1,066 (18%)	711 (12%)	923 (15%)
Personal data protection**	1,111 (19%)	1,166 (19%)	1,892 (34%)	1,939 (33%)	1,663 (28%)	2,987 (50%)

* new employees are trained

** new employees of specified entities are trained

In 2018, the Bank carried out a program of adaptation to the requirements of the General Data Processing Regulation (GDPR). The Bank has also prepared new solutions helping clients use the privileges offered by GDPR - including full access to their information and flexible management of consents.

Special care is attached to the continuity of services rendered by the Bank. By establishing the integrated **Business Continuity Management System**, the Bank makes sure that the key processes and IT systems are available regardless of any chance events. The distributed architecture of the Bank's information technology environment increases its resistance to threats and reduces the risk of unavailability of services.

The Bank's initiatives in security enjoy the recognition of independent experts. The Bank received a distinction for Best Practices in IT Systems Security in the 2017 and 2018 Golden Banker contest. In addition, it has unwaveringly been the top player among the largest Polish banks in the independent security ranking prepared by BitSight. [GRI 103-1, 103-2, 103-3]

4.7. INTERNAL AUDIT

The activity of internal audit is regulated by the document entitled "Audit charter - the principles pertaining to internal audit activity in Bank Millennium S.A.". **Audit planning is based on the evaluation of risks in individual areas and processes of the Bank and of the Subsidiaries** to identify the elevated risk. The annual audit plan is approved by the Bank's Supervisory Board and is implemented on a quarterly basis.

In 2018, the Internal Audit Department performed audit tasks in the Bank, in the Bank's subsidiaries, in third party companies to which, where permitted by law, the Bank outsourced the performance of banking and banking-related activities and within the Millennium BCP Group. **The Department's planned activity covered, among other things, the performance of audits of key business processes and support processes, as well as financial audits of branches and compliance with external regulatory requirements.** Tasks performed by the Internal Audit Department also included explanatory proceedings and preventive inspections.

The Internal Audit Department is an independent unit reporting to the Chairman of the Bank's Management Board, which delivers results of its activities to the Audit Committee of the Supervisory Board and to the Bank's

Supervisory Board. The results of the operating review of the entire internal control system and of its selected elements are presented regularly and evaluated by the Audit Committee of the Bank's Supervisory Board. [GRI 102-17, G4 DMA, G4-FS9]

Internal audit - activities in 2018	Number of audits	Including audits in the companies
Process/IRF audits	62	6
Provision (Process/IRF audits)	5	2
Audit of outlets	160	0
Prevention (process) audits	9	0
Prevention audits (Retail)	38	0
TOTAL:	247	8
Advisory activity	9	1
Explanatory proceedings (ad hoc)	118	0

5. THE BANK IN THE MARKET ENVIRONMENT

At the end of September 2018, the Bank Millennium Group was the 6th largest commercial bank in Poland by total assets and deposits. At the end of November, the Bank's market share was 5.4% in terms of deposits and 4.5% in terms of loans. The Bank Millennium Group, which consists of the Bank itself, a leasing company, an investment fund company and a brokerage house, maintains a relatively stronger position in the household segment (6.2% in deposits and 5.6% in loans, which includes 7% in mortgage loans and 8% in credit card transactions). In the corporate segment, where Bank Millennium's share is smaller than in the retail segment (4.1% in deposits and 3.2% in loans), the Bank's Group traditionally maintains above-average presence in leasing and factoring products. The Group distributes its products and services through a chain of 361 branches as well as through electronic channels, including ATMs, Internet, telephone and mobile applications.

5.1. COOPERATION WITH TRADE ORGANIZATIONS

The Bank is a member of more than ten industry organizations operating on a regional, national and international level. The most important ones are as follows: Lewiatan Confederation (representing interests of employers in Poland), Stock Exchange Issuers Association, ACI Polish Financial Markets Association, Polish Association of Factors, Polish Association of Private Employers, Banks and Financial Institutions, Institute of Internal Auditors IIA Polska, Polish Portuguese Chamber of Commerce, Polish German Chamber of Industry and Commerce, Employers of Pomerania.

The Bank is also a member of the **Polish Bank Association**, an organization associating and representing the interests of all banks operating in Poland. Specialists from the Bank take part in the work of the Committee on the Quality of Financial Service and the Banking Cybersecurity Center. [GRI 102-13]

5.2. RELATIONS WITH THE CAPITAL MARKET

Bank Millennium is the first Polish bank listed on the Warsaw Stock Exchange (since 13 August 1992). Presently, the Bank is a member of the WIG Index, WIG 30, mWIG 40, WIG Banks and the Respect Index.

Fast and accurate information for investors

The priority in investor relations is to provide fair and timely information concerning the strategy, business and financial performance of the overall Bank Millennium Group. The list of communications published by the Bank Group, including their frequency and place of publication, is available on the Bank's website in the Investor Relations section.

The Bank uses various communication channels in order to reach present and prospective shareholders, mainly such as:

- **regular conferences** with the participation of the Bank's Management Board on the quarterly performance of the Bank Group (4 in 2018),
- **participation in conferences and road shows** organized for investors in Poland and abroad (14),
- **individual and group meetings** with capital market players (355 participants),
- **current stock exchange reports** (25) and press releases,
- **dedicated website** in the Bank's portal on investor relations,
- encouraging participation in the **Annual Shareholder Meeting**,
- **ongoing contacts** with market participants (by e-mail or telephone).

To ensure best practice in equal access to information, since 2006 the Bank has enabled unlimited access to these conferences via the web (video transmission in Polish and English) and by telephone. A transcript of every conference is available on the Bank's website. The Bank also offers a webcast of the Shareholder Meeting. A transcript of the discussion and resolutions is also available on the Bank's website.

Meetings with capital market players	2018	2017	2016	2015	2014
Number of meetings	155	183	192	206	208
Number of participants	355	373	391	418	410

ESG Best Practices

The Bank operates based on good ESG (Environmental, Social, Governance) practices and observes corporate governance principles. The Company is a long-standing member of the RESPECT Index and reports on corporate social responsibility issues.

Best corporate governance practices

The Bank as a public company satisfies all the corporate governance principles described in the document **Best Practices for WSE Listed Companies** prepared by the Warsaw Stock Exchange. The principal standard included in that document is the *comply or explain* rule. This means that a violation of the principles described in the Best Practices should be publicly announced by the Company promptly in the form of a relevant report.

Bank Millennium in the RESPECT Index for the 11th time



In 2018, Bank Millennium joined the **RESPECT Index** for the eleventh time in a row - it is an index of socially responsible companies. The RESPECT Index consists of Polish companies listed on the Main Market of the Warsaw Stock Exchange that espouse the highest standards of corporate governance, information governance and investor relations while taking into account the environmental, social and employee-related factors. Companies in the RESPECT index undergo a three-tier review conducted by

the Warsaw Stock Exchange and the Association of Stock Exchange Issuers in the areas mentioned above and an audit conducted by an external company.

6. BUSINESS PARTNERS

Procurement policy

The principles of cooperation with Bank Millennium's suppliers are described in the Instructions for selecting suppliers and making purchases. These instructions define, among other things, how the procurement process is organized, the role played by the various process participants and the supplier selection criteria. **Suppliers are selected in tenders, which allows the Bank to use objective selection criteria.** To ensure transparency of the procurement process, the substantive and commercial evaluations of bids are done by independent Bank units. The chief risk ensuing from inappropriate cooperation with suppliers involves a limitation on the ability to render banking services. [GRI 103-1, 103-2, 103-3]

The Bank cooperates with many business partners as the buyer of products and services from various market segments. The key business partners render services associated with the lease of and support for branches and office space, services and purchase of IT equipment and security and marketing services. [GRI 102-9]

The Bank collaborates with brokers on the basis of agency agreements. Collaboration involves the Bank entrusting businesses to perform the activities prescribed by the agreement related to acting as an intermediary in the sales of mortgage products. Ordinarily, the agency agreements entered into by the Bank are outsourcing contracts.

The Bank's Companies collaborate with business partners on the basis of agency cooperation agreements. They are entered into with business entities or individuals working in a given organizational unit (Representatives).

Criteria for selecting suppliers

The criteria for selecting suppliers in tender procedures include: good ratio of quality to cost of the services or products and the terms of delivery and payment. The bidder's substantive capabilities and financial reliability are also taken into account.

Geographical location of the suppliers is not one of the selection criteria. **In justified cases, the Bank also includes environmental and social factors among the aspects that affect its choice of suppliers.**

In case of the purchase of goods used by the entire Group, the supplier selection policy in force in the Bank is applied. Specific supplier selection criteria are employed by Companies if separate regulations require that, e.g. the ones governing the operations of funds and mutual fund management companies at Millennium TFI.

Ethical and environmental standards

The requirement to apply ethical and/or environmental clauses in agreements, where applicable, is an important element of the regulation pertaining to the procurement process (for example occupational safety and health regulations in construction contracts or environmental services in waste disposal agreements). **Every supplier taking part in a tender procedure must undertake to observe the rules included in the Bank Millennium Group's Code of Ethics, including the respect of human rights and compliance with anti-corruption policies, by signing a representation to that effect.** Additionally, any supplier agreements currently executed contain a clause confirming the supplier's compliance with the provisions of the Code of Ethics. [GRI G4 FS1]

The performance of agreements of significance to the Bank is monitored. The quality and timeliness of services and goods and financial standing of the suppliers are evaluated. In justified cases, audits are conducted in suppliers' offices to assess their security and continuity of their business activity. In 2018, the quantity and quality of goods and services supplied was monitored for roughly 1,400 agreements by the Bank. In the case of 27 agreements, the suppliers' financial standing and their contingency plans were monitored. The quantity and quality of goods and services supplied was monitored for roughly 1,470 agreements by the Bank Group. [GRI G4 FS5]

Products and services purchased	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank
Number of suppliers	11,538	5,012	11,173	5,153	5,378	5,623 [GRI 102-10]
% of amounts paid to local suppliers*	89%	90%	92%	88%	89%	93% [GRI 204-1]

* with registered offices in Poland

Invoice payment term*	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank
Up to 30 days	82%	67%	87%	75%	69%	72%
31-60 days	15%	28%	11%	21%	28%	25%
Over 60 days	3%	5%	2%	4%	3%	3%

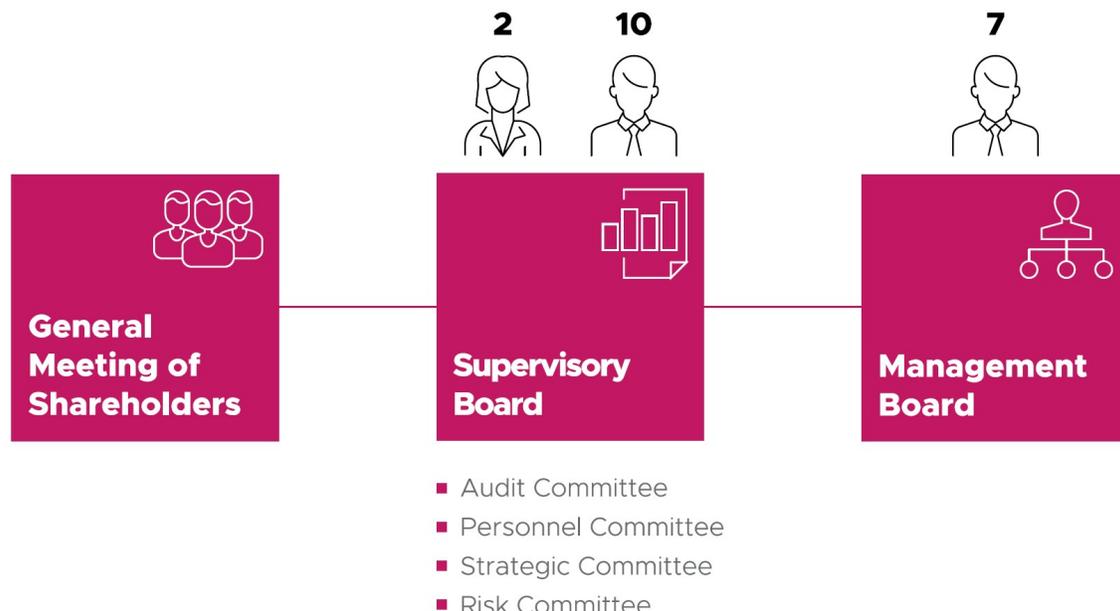
* percentage of suppliers who were paid within the specified term

III. EMPLOYEES

1. HEADCOUNT

1.1. GOVERNANCE STRUCTURE [GRI 102-18]

According to the Articles of Association of Bank Millennium, the Bank's governing bodies include: Shareholder Meeting, Supervisory Board and Management Board.



The **Shareholder Meeting** - among other things it examines and approves the financial statements and the activity report for the financial year, it adopts a resolution on distribution of profit or coverage of loss, it grants a discharge to members of the Bank's governing bodies on the performance of their duties, it selects and dismisses Supervisory Board members and sets their compensation.

The **Supervisory Board** supervises the Bank's operations, including the operation of risk management and internal control systems. It also defines the number of the Bank's Management Board members, appoints and dismisses the Chairman, Deputy Chairmen and the Bank's Management Board members and sets their compensation.

The Supervisory Board may establish **standing or ad hoc committees** to perform specific activities. **The Supervisory Board's standing committees are the Audit Committee, the Personnel Committee, the Strategic Committee and the Risk Committee.** Most Audit Committee members, including its Chairman are independent within the meaning of the Act on Statutory Auditors, Audit Firms and Public Oversight.

The Supervisory Board has **12 members (10 men and 2 women)**. **Seven** members of the Supervisory Board, including its Chairman, are **Polish citizens**. Six of the **Supervisory Board members** are not related to any shareholder with at least 5% of the Bank's shares. The Supervisory Board's term of office is 3 years.

The **Bank's Management Board** manages all of the Bank's operations and represents it externally. It defines the Bank's organizational structure, the principles pertaining to its operation, work organization and its human resource policy rules. Additionally, the powers of the Management Board include, among others, the following: developing and submitting reports and other documents describing the Bank's operations to the Supervisory Board and the Shareholder Meeting, convening a Shareholder Meeting, establishing the Bank's internal regulations, appointing committees authorized to monitor specified matters in a continuous manner.

The Bank's Management Board has **7 members**. **Four Management Board members are Polish citizens**. Management Board members are appointed for three years.

Bank's Management Board by age group	Men	Women	Total 2018
[30-50]	43%	0%	43%
≥50	57%	0%	57%
Total	100%	0%	100%

[GRI 405-1]

Governance structure in the Bank's companies

The entire Bank Millennium Management Board sits in the Supervisory Boards of Millennium Dom Maklerski SA, Millennium Leasing sp. z o.o. and Millennium Goodie sp. z o.o. Millennium Dom Maklerski is the owner of Millennium TFI. Representatives of Millennium Dom Maklerski and independent members, in accordance with the legal regulations, sit on the Supervisory Board of Millennium TFI. As the Bank's Management Board sits on the Supervisory Board of Millennium Dom Maklerski, it also supervises Millennium TFI (the mutual fund management company).

1.2. HEADCOUNT STRUCTURE

In 2018, the headcount at the Bank Millennium Group increased by about 5% from 2017, which resulted mainly from the acquisition of SKOK Piast in Q4 2018. Most of the employees have signed an employment agreement (98.5%). The employee turnover ratio remained at the 4% level in comparison to 2017. Women constitute the majority of employees (68%) and the average employee is 37 years old.

Number of employees

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium Group	518	1,310	201	2,029	919	2,822	500	4,241	6,270

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium	504	1,174	156	1,834	871	2,639	461	3,971	5,805

[GRI 102-8]

Employees by type of employment - Bank Millennium Group

Type of contract	2018		
	Men	Women	Total
Mandate agreement	0.7%	0.8%	1.5%
Employment agreement	31.9%	66.6%	98.5%
Total	32.6%	67.4%	100.0%

	2018		
	Men	Women	Total
For an indefinite term	25.3%	54.3%	79.6%
For a definite term	7.1%	13.3%	20.4%
Total	32.4%	67.6%	100.0%

Employees by type of employment - Bank Millennium

Type of contract	2018		
	Men	Women	Total
Mandate agreement	0.5%	0.6%	1.1%
Employment agreement	31.2%	67.6%	98.9%
Total	31.8%	68.2%	100.0%

	2018		
	Men	Women	Total
For an indefinite term	24.1%	54.5%	78.6%
For a definite term	7.5%	13.9%	21.4%
Total	31.6%	68.4%	100.0%

[GRI 102-8]

New employees

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium Group	379	254	10	643	542	462	40	1,044	1,687

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium	369	231	7	607	514	431	39	984	1,591

[GRI 401-1]

Employee turnover ratio

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium Group	10%	3%	1%	5%	8%	3%	2%	4%	4%

2018	Men			Total men	Women			Total women	Grand total
	<30 yrs	30-50 yrs	>50 yrs		<30 yrs	30-50 yrs	>50 yrs		
Bank Millennium	10%	3%	1%	5%	8%	3%	2%	4%	4%

[GRI 401-1]

Employees hired locally*

Bank Millennium Group	2018		
	Men	Women	Total
Number of employees hired locally	99%	99%	99%
Number of Management Board members and senior managers employed locally	89%	100%	92%

Bank Millennium	2018		
	Men	Women	Total
Number of employees hired locally	99%	99%	99%
Number of Management Board members and senior managers employed locally	86%	100%	89%

* Polish citizens and working in Poland

[GRI 202-2]

Employees by position and gender

Bank Millennium Group	2018		
	Men	Women	Total
Management Board	100.0%	0.0%	0.1%
Top management	71.4%	28.6%	1.2%
Management	37.8%	62.2%	14.4%
Sales personnel	25.3%	74.7%	54.1%
Technicians	41.5%	58.5%	23.3%
Other employees	37.8%	62.2%	6.9%
Total	32.4%	67.6%	100.0%

[GRI 405-1]

Employees by position and gender

Bank Millennium	2018		
	Men	Women	Total
Management Board	100.0%	0.0%	0.1%
Top management	71.2%	28.8%	1.0%
Management	36.3%	63.7%	14.3%
Sales personnel	24.9%	75.1%	57.3%
Technicians	41.2%	58.8%	22.0%
Other employees	42.6%	57.4%	5.3%
Total	31.6%	68.4%	100.0%

[GRI 405-1]

Employees by age groups

Bank Millennium Group	2018		
	Men	Women	Total
<30	8.3%	14.7%	22.9%
[30-50]	20.9%	45.0%	65.9%
≥50	3.2%	8.0%	11.2%
Total	32.4%	67.6%	100.0%
Average employee age	36.7	37.6	37.3

Bank Millennium	2018		
	Men	Women	Total
<30	8.7%	15.0%	23.7%
[30-50]	20.2%	45.5%	65.7%
≥50	2.7%	7.9%	10.6%
Total	31.6%	68.4%	100.0%
Average employee age	36.1	37.4	37.0

[GRI 405-1]

2. WORKING CONDITIONS

2.1. HR POLICY

The Bank Millennium Group has in place the **Bank Millennium Group Human Resource Policy**, which regulates employee recruitment, management, development and retention as well as the headcount planning and monitoring. On the other hand, the **Policy on the compensation of persons holding managerial positions** articulates the assumptions used to shape the fixed and variable components of compensation.

Bank Millennium has also implemented a **Policy for the selection and assessment of qualifications of members of the management body and persons discharging the most important functions**. It ensures that the persons discharging the most important functions in the Bank Millennium Group, including functions in management bodies, have the requisite professional qualifications and the appropriate reputation. This policy fosters sound Group management, the generation of stable results and the appropriate operational risk management in the long-term perspective.

The implemented **Diversity Policy** shows that Bank Millennium operates while respecting human dignity and adheres to the law on equal treatment regardless of age, gender, ethnic or national origin, religion, creed, family status, sexual orientation, health condition, convictions, trade union membership and other premises that could trigger discrimination.

The Bank Millennium Group applies employee regulations that are as uniform as possible, in particular: **Work Rules and Regulations** - laying down the organization and order of work and the related rights and duties of the employer and employees as well as **Compensation Rules and Regulations** establishing the rules and conditions for paying compensation and awarding other benefits. [GRI 103-1, 103-2, 103-3]

The result of applying HR policies is as follows:

- Creating uniform rules of employment, access to benefits and compensation;
- Checking compensation systems from time to time, including basic salaries, including comparisons with market benchmarks;
- Using balanced appraisal systems aligned to the mid and long-term targets while taking into account quantitative and qualitative criteria;
- Checking qualifications and conscientiously selecting employees for the top positions in the Group;
- Countering conflicts of interest and decision making that poses a threat to the Bank's long-term welfare by introducing more detailed criteria for appraising the work of people in managerial positions referring to their impact on the risk;
- Counteracting discrimination and mobbing through communication, training and implementing an abuse reporting system;
- Enhancing the quality of management by unwaveringly supporting the development of leaders through the M#leaders leadership competence development program;
- Building an organizational culture based on values through the extensive promoting of organizational values and implementing the Code of the Leader.

2.2. COMPENSATION POLICIES

The Bank Millennium Group has in place a uniform **Policy on the compensation of employees in the Bank Millennium Group**, which articulates the assumptions used to shape the fixed and variable components of compensation. For employees identified as having material impact on the risk profile, the **Rules for awarding and paying out variable compensation components for risk takers in the Bank Millennium Group**, which define the criteria used to award bonuses and other conditions affecting the decisions to pay out bonuses.

Separate Policies for persons having material impact on the risk profile are in place within the framework of the Group's Compensation Policy in the subsidiaries Millennium Dom Maklerski SA and Millennium Towarzystwo Funduszy Inwestycyjnych SA.

The Bank does its best for the compensation-related solutions not to create stimuli inclining people to engage in activities and take decisions that pose a threat to the Bank's long-term welfare and transcend the acceptable risk profile and for them not to incline people to undertake actions at odds with the best interests of the Group's clients and investors. [GRI 102-30]

This policy aims to provide a framework for shaping the compensation of all the Group's employees from the perspective of corporate governance, institutional safety and the suitability of compensation to the Group's standing, operating magnitude and growth potential.

Salary and position reviews are conducted in the Bank regularly. Pursuant to an assessment of the Group's financial condition and its business environment, the Bank's Management Board may make a decision to award a pool of funds to be used to modify employees' base salaries. Salary levels are reviewed taking into account the periodic assessment of performance and skills and are compared with salary information presented in salary studies on the financial markets.

Policy of variable compensation components

The main source of income for employees in the Bank Millennium Group is their base salary resulting from their employment contract. Variable compensation is an additional motivational part of the overall compensation. **The incentive mechanisms for the employees of sales units and other units involved in client service processes are devised in such a way that they do not lead to a conflict of interest or performance incentives that may incline Group employees to place their own interests or the firm's interest first thereby creating a prospective loss for any Group client. [GRI 102-25]**

An important part of this approach is a separate assessment for those in management positions, which encourages managers to pay special attention to the long-term welfare of the Bank and avoid excessive risk exposure. [GRI 102-11, 102-30]

Variable compensation is shaped using differentiated bonus systems whose purpose is to motivate employees to achieve their business and organizational plans. The bonus systems and periodic evaluation criteria in the Bank Millennium Group have been adapted to the specific nature of work performed by employees in the Group's various areas.

The bonus pool amount depends on overall results and on the general condition of the Bank. Bonuses are paid out monthly in the Bank's sales network and other head office units involved in the customer service of retail clients or quarterly for employees of the Bank's head office.

2.3. SIGNIFICANT RISKS RELATED TO THE EMPLOYEE AREA

A significant risk factor in the employee area is the **employee turnover ratio and the prospective loss of competences of importance to the Bank's development**. To prevent this from transpiring the Bank regularly monitors the level of the employee turnover ratio and it analyzes the reasons for employees to leave. The level of base salaries is also analyzed from time to time. The composition of compensation and its level compared to market benchmarks are subject to assessment. The review of the composition of compensation in the Bank's various units is performed semi-annually.

The Bank does its best for variable compensation systems not to advance work results that in the long-run may prove to be unsatisfactory from the perspective of the Bank and its clients. It strengthens the monitoring of ratios concerning the quality of transactions executed and the quality of client relations. Where justified, longer assessment periods have been introduced.

The Bank has consistently been raising the quality of management and **strengthening an organizational culture based on values**, trusting that good leadership supports not just financial results but a good climate in the organization. The M#leaders leadership competence development program serves this purpose.

Another group of employee-related issues pertains to the **risks related to potential mobbing or discrimination**. The Bank bans all activities exhibiting the attributes of mobbing and discrimination and it treats such activities as a severe violation of employee obligations. Any employee who believes he or she is a victim of discriminatory practices or mobbing may notify any manager about this fact. Managers go through mandatory training on mobbing and discrimination. [GRI 102-11, 102-30]

2.4. SUPPORTING DIVERSITY AND COUNTERACTING DISCRIMINATION

According to the Human Resource Policy in force in the Bank Millennium Group, the application of all discriminatory practices exhibiting the attributes of mobbing or sexual molestation toward employees is forbidden. The Bank Millennium Group operates while respecting human dignity, it adheres to the law on equal treatment regardless of age, gender, ethnic or national origin, religion, creed, family status, sexual orientation, health condition, convictions, trade union membership and other premises that could trigger discrimination. In 2018, the Bank joined the **Diversity Charter**, which is a commitment signed by organizations that decide to introduce a ban on discrimination at work and acting to create and promote diversity.

The issue of respecting diversity in the Bank's Group is governed by the Diversity Policy, the Code of Ethics, the Work Rules and Regulations and regulations pertaining to recruitment. Many measures are the result of implementing these policies:

- All employees go through mandatory training on ethical issues. In addition, the entire management obligatorily attends training on combating mobbing and discrimination in employment. **The Bank has anti-mobbing and anti-discriminatory procedures.** Employees may report abuse anonymously to the stated email address.

	2018 Bank	2018 Group	2017 Bank	2017 Group
Number and % of managers trained in discrimination and mobbing*	81 (9%)	85 (9%)	159 (17%)	168 (17%)

* new managers and directors are trained

- During employee recruitment, criteria putting one in jeopardy of discriminatory behavior are not applied.** These rules also apply to the termination of employment, terms of employment, promotions and access to training to raise professional qualification. Candidates are selected based on objective criteria, such as in particular: education, professional experience, general and specific competences, proficiency in foreign languages and the overall match with the profile.
- The Bank analyzes on an ongoing basis the compensation structure and **equality of earnings** and jobs by gender, age and nationality. Interviews are held from time to time with persons leaving the Bank to grasp the reasons for them to leave.
- Extensive communication and support are addressed to employees who are parents. The Bank advises them of their parental rights. People with small children have the possibility of taking advantage of forms of recreation co-financed by the Bank under the **Yes to Parenting** program.
- Benefits such as medical care, group insurance**, co-financing for sport and recreation are offered to all employees, also part-time employees. The Bank encourages employees to take their holiday leaves.
- The Bank lends a helping hand to people in a challenging** financial and health-related situation through the existing social assistance system predicated on the Company Social Benefits Fund. Disabled people may take advantage of office infrastructure that is fully aligned to their capabilities.

Employees with disabilities	2018 Bank	2018 Group	2017 Bank	2017 Group	2016 Group	2015 Group
Number and % of employees	36 (0.62%)	39 (0.62%)	41 (0.74%)	44 (0.74%)	35 (0.59%)	39 (0.65%)

[GRI 405-1]

- The Bank has implemented and is regularly following its innovative **M#leaders leadership development program**. Its purpose is to build attitudes and support the actions of leaders not just to generate performance but also to build trust and relations with employees. The program's role is also to strengthen the appropriate attitudes - also to overcome stereotypes and promote openness to employees' various convictions and mold their own responsibility and that of their reports.
- Employees may freely **express their views** on an internet forums.
- The HR Department keeps a **register** in which all employee claims are recorded. They are reported to the Process and Operational Risk Committee. A notification is examined using a procedure, which involves, among others: collecting documentation to review the claim, conducting a survey among employees, making a decision to accept or reject the claim and issuing a response to the employee.

3 notification pertaining to actions involving mobbing were recorded in the Bank's Group in 2018. Ultimately, mobbing was not confirmed in any of these cases. [GRI 406-1]

Compensation for women and men

In accordance with the Human Resource Policy in force in Bank Millennium, the Bank incorporates information in the compensation policy concerning the market levels of compensation for similar positions. Employee

compensation is periodically checked on the basis of the Bank's current strategy, market data and job performance assessments and employee career stages. The Bank strives to devise bonus systems in which the incentive is linked to the nature of the work in a given unit - by formulating reasonable and fair ratios describing job performance and the appropriate incentive systems for a given unit in the bank.

Ratio of basic salary of men to women*

Bank Millennium Group	2018	2017	2016	2015	2014
Top management	1.2	1.2	1.2	1.2	1.2
Management	1.3	1.3	1.3	1.2	1.2
Sales personnel	1.1	1.1	1.1	1.1	1.1
Technicians	1.5	1.5	1.4	1.4	1.4
Other employees	1.2	1.3	1.3	1.3	1.8
Total	1.5	1.5	1.5	1.5	1.4

Bank Millennium	2018	2017
Top management	1.2	1.2
Management	1.3	1.3
Sales personnel	1.1	1.1
Technicians	1.4	1.5
Other employees	1.3	1.3
Total	1.4	1.4

* *Weighted average, taking into account the group size and the percentage of women in a given group. The difference in compensation levels arises from the calculation method: a category contains positions with different responsibilities and different pay. [GRI 405-2]*

2.5. FREEDOM OF ASSOCIATION

A **trade union organization** has been operating in Bank Millennium since 1 November 2018. The Bank has been cooperating with the organization to the extent required by the labor law and the act on trade unions; in particular, it has been consulting its normative acts and activities using the accepted procedure and with mutual consent. [GRI 102-41]

Dialog with employees is also conducted on an internal **social forum and in the Intranet**. These tools are used to inform employees of the most important issues relating to the Bank while making it possible to present remarks and exchange views on various topics. Additionally, the HR Department runs a **HR Zone** intranet site on which it regularly posts all the information of interest to employees about employee matters. Every employee has access to his/her own HR information through the **Milliludzie Intranet system**. If this information is not sufficient, an employee may also file a direct inquiry to the HR Department using the **HR Service** employee service system or talk to the dedicated HR Department employee responsible for serving him/her - the HR relationship manager.

2.6. EMPLOYEE APPRAISAL

All Bank employees, except for those who are on long-term holiday and other leave, are subject to regular appraisals. [GRI 404-3] According to the Instructions for employee appraisal in Bank Millennium S.A., **this appraisal is conducted on the basis of previously communicated, objective criteria.** The period and the employee appraisal criteria are aligned to the nature of his or her work and refer to important attitudes in everyday work. **This appraisal covers cooperation, engagement, quality, efficiency and management skills. In addition to efficiency and quality criteria, the assessors consider the employee's attitude to risk mitigation, in particular his/her reliable reporting of risks.** The appraisal system allows the Bank to compare work results of different employees and their success rate in achieving the set goals. The evaluation process consists of several stages, which promotes transparency and guarantees a balanced employee appraisal.

Periodic employee appraisal may form grounds for an opinion about an employee, promotion, transfers between organizational units, change of tasks and responsibilities, preparation of individual professional growth and training plans, decision to change terms of employment and continuation of employment. Evaluation of work quality is also one of the key factors considered in setting the amount of the bonus awarded periodically to employees.

Job promotions 2018*

Bank Millennium Group	Men	Women	Total
Top management	4%	5%	4%
Management	13%	11%	12%
Sales personnel	20%	17%	18%
Technicians	19%	16%	17%
Others	17%	11%	13%
Total	18%	15%	16%

Bank Millennium	Men	Women	Total
Top management	5%	6%	5%
Management	15%	12%	13%
Sales personnel	21%	17%	18%
Technicians	21%	16%	18%
Others	20%	13%	16%
Total	19%	16%	17%

* % of employees in a given group who were promoted. Differences in % of promotions in the men and women groups result from the addition of the employee base of SKOK Piast (which was acquired by Bank Millennium in Q4 2018). Women make up as much as 90% of all SKOK Piast employees.

2.7. PROFESSIONAL DEVELOPMENT [GRI 404-2]

Internal job rotation

Most job offers in the Bank Group are addressed to internal and external candidates. An employee who would like to develop his or her skills in some other area may report his or her desire to participate in an internal rotation.

Selected employees are assigned to **interdepartmental projects** initiated and overseen by the Bank's Management Board. This affords an opportunity to share knowledge and gain new skills.

Internal recruitment	2018 Bank	2018 Group	2017 Bank	2017 Group	2016 Group	2015 Group
Number of employees recruited internally	95	95	141	141	112	98

Rewards for employee

Bank Millennium conducts programs in which employees who stand out through their above average commitment receive rewards:

- **IMPAKT Employee Reward Program** in which employees reward their work colleagues. In 2018, 40 employees were recognized for their commitment, improvement of quality, innovative solutions and accepting challenges that inspire others.
- Selected managers participate in the **M#leaders leadership skills improvement program**.
- Once a year, the best employees and managers are rewarded with the President's Prize for their above average professional achievements.
- Programs are being developed in the Group to enhance employee knowledge and specialization in sales and support. The top performing employees are awarded certificates.

Training

The Bank organizes training programs and training workshops that cover all the employees, e.g. of the sales function. Some training activities are organized for the entire Bank Group. These arise out of internal and external regulations and include: occupational health and safety, data protection, data security training as well as management training programs and conferences. Specialist training is most frequently organized by the Bank internally.

	2018 Bank	2018 Group
Number of e-learning training topics	212	245

Key training performed in 2018:

Training for retail branch employees:

- orientation training for new employees,
- certification training for new employees on sales of investment products,
- management competence development training cycle for retail branch managers,
- customer service quality improvement training (traditional training and training using a gamification platform),
- workshops on identifying client needs, sales standards and models,

- numerous e-learning training courses concerning new products, changes to products, procedures and bank applications.

Prestige relationship manager training

Prestige Relationship Managers were trained on the financial markets, investing and Bank products. The program ends with a theoretical and practical examination to confirm the skillful ability to utilize this knowledge in daily work.

The training program to enhance the skills of relationship managers in building a professional image was continued in **corporate banking**. It was based on excellent product knowledge, client needs analysis skills and deal structuring, negotiating skills and skills for effectively closing deals. This program consists of a series of e-learning product-related courses, training workshops run by external firms and knowledge-related tests. Additionally all the corporate banking relationship managers took part in the training on European funds and structured finance.

M#leaders skills development program



The **M#leaders program targeting managers and directors in the Bank** is still in operation in the Bank; its purpose is to strengthen leadership competences. This program consists of short workshop sessions administered in small groups. These sessions employ a blended approach including workshops, case studies, group coaching and brainstorming. The participants learn from tried and true practices in leadership, management, communication, team work and inspiration whereby they mutually mobilize one another to apply their knowledge in practice. In 2018, a two-year **management competence development training cycle** was introduced for all retail branch managers.

Coaching programs

- **Coach Academy** - a training program for coaches in regional sales networks, aimed mainly at learning the skills to develop and conduct short trainings/workshops for small groups.
- **Coach School** - a cycle of workshops for Bank Millennium's internal coaches. The main objective of the program is for the participants to achieve competence in developing training programs and running various types of development activities.

Millennium Campus

In this knowledge and competence development program, regular meetings are organized with eminent lecturers from reputable universities from all over the world. The participation in Millennium Campus is offered to specialists, experts and managers from the head office of the Bank and companies as well as directors of regional and macroregional sales networks.

Average number of training hours by gender and position [GRI 404-1]

2018 Bank Millennium			
	Men	Women	Total
Top management	19	13	17
Management	49	49	49
Sales personnel	70	54	58
Other employees	17	9	12
Total	46	43	44

2018 Bank Millennium Group			
	Men	Women	Total
Top management	17	11	15
Management	45	47	46
Sales personnel	68	53	57
Other employees	15	8	11
Total	43	41	41

* Differences in the average number of training hours in the men and women groups result from the addition of the employee base of SKOK Piast (which was acquired by Bank Millennium in Q4 2018). Women make up as much as 90% of all SKOK Piast employees.

2.8. FRIENDLY WORKPLACE

In addition to providing attractive working conditions, development and social support, Bank Millennium offers programs for working parents, opportunities to take part in charitable activities, employee volunteerism and Millennium Active Zone events promoting a healthy lifestyle. The Bank also supports the cultivation of employees' passions by co-funding MilleClub sporting, cultural and recreational projects.

Facilities for working parents



YES to Parenting is a program addressed to parents and their children. Its objective is to advance the cause of maintaining balance between employees' work lives and private lives, disseminate information about parental rights and guarantee their widespread observance. **Under this program employees and their families are invited to participate in contests, excursions co-funded by the Bank and cultural and sporting events promoting spending time together as families.** In 2018, the program organized domestic trips as well as trips that are several days long, to Paris, Disneyland and Barcelona. For employees with families, a pool of tickets was available for Cirque du Soleil and Disney on Ice shows, which took place in several Polish cities.

As part of another campaign - **Millewidziani**, a dozen meetings were organized at the Bank's head office for the employees' children and their kindergarten and school groups. The goal of the meetings was to present the concept of money to the children and to promote rational social attitudes towards financial issues and to familiarize them with the operation of selected areas of the Bank.

Returning after a maternity/parental leave [GRI 401-3]

Bank Millennium Group	Men	Women	Total 2018	Total 2017	Total 2016	Total 2015
Employees who took leave	3	256	259	290	338	328
Returned to work after leave	3	223	226	263	312	291
Employed 12 months after returning from the leave	2	206	208	279	244	258
Percentage returning after leave	100%	87%	87%	91%	92%	89%
Percentage of employees retained by the Group who returned from the leave	100%	79%	79%	89%	84%	89%

Returning after a maternity/parental leave [GRI 401-3]

Bank Millennium	Men	Women	Total 2018	Total 2017
Employees who took leave	3	249	252	281
Returned to work after leave	3	219	222	255
Employed 12 months after returning from the leave	1	201	202	262
Percentage returning after leave	100%	88%	88%	91%
Percentage of employees retained by the Bank who returned from the leave	100%	79%	79%	89%

Individual approach to the form and time of work

The employees of the Bank Millennium Group are subject to one of the following working hour schedules: fixed (the main one), shift-based, task-based or balanced. The selection of a system depends on the type, organization and place of work and the business requirements in a specific area.

In response to an employee's written request, his or her superior may set an individual work time schedule within the framework of the work time system applicable to that employee. Working remotely is also possible

through individual arrangements. Employees may work part-time insofar as the conditions for the Group to operate in a given area facilitate that. Many employees with parental rights are taking advantage of this solution.

Charitable campaigns

Every year Bank Group employees participate in **charitable races** in which the Bank co-funds participation. A **Charitable Auction** has also been held every year for the last 6 years. During this auction employees may purchase the handiwork created by their colleagues from work. The amount collected during the auction is matched by the bank and transferred for treatment of disabled children of the Bank's employees.

In 2018, the auction was accompanied by initiatives aimed at promoting the campaign and raising additional funds. Handicraft workshops were organized, during which items were made to be auctioned. There was also a raffle and a charity run. A record amount of PLN 82 thousand was collected for the beneficiaries.

Employee volunteerism

Employees have the opportunity to pursue their own volunteer campaigns under the **Millantrop** program. This program is run by the Bank Millennium Foundation, which awards grants through a contest to Bank employees to conduct social campaigns. So far, more than 400 volunteers took part in the initiatives financed by the grant program and they carried out programs for several thousand beneficiaries. Bank employees have been involved in diverse projects, from repair work to education to environmental projects. The volunteers have already renovated school rooms and playgrounds for an orphanage, equipped a therapy room for the disabled, laid new floor at a scouting facility or even built a school football pitch. The volunteers also conducted financial education workshops for children from various care institutions, promoted reading and encouraged young people to participate in sports activities and adopt a healthy lifestyle. They carried out a campaign for an animal shelter and planted a forest.

This formula of support for people and institutions in need works very well. Projects are submitted by employees who are aware of the needs of the local community. As a result, our help goes where it is really needed: frequently to small towns or villages, where it is difficult to obtain support from other sources.

2.9. SOCIAL BENEFITS

Bank Millennium Group employees are offered the same social and financial benefits regardless of the type of employment agreement (for a fixed/unspecified term) and working time (part-time/full-time). The amount and scope of benefits depends on the employee's life and financial situation. A private medical care plan is offered to employees employed for at least one half of a full time equivalent. The range of the plan varies for different positions.

The Bylaws of the Company Social Benefit Fund regulate the Bank's social activity. According to these Bylaws, the Bank pursues the following initiatives:

- providing repayable assistance for housing purposes in the form of home loans,
- conducting cultural, sporting, recreational and tourist activity,
- organizing events and group meetings, etc.,
- providing material or financial assistance,
- providing financial assistance in individual events of chance, a particularly difficult financial, family or life situation (financial assistance that does not have to be repaid).

Companies tap into the social benefits offering offered by the Bank but they finance it using their own Social Benefits Funds. [\[GRI 401-2\]](#)



Medical Care

CENTRUM MEDYCZNE
operating at the Bank Millennium Head Office in Warsaw, offering basic medical care and outpatient assistance.

Since 2006, Bank Millennium has been cooperating with the ENEL-MED medical center. The private medical care plan allows all the employees equally to have access to basic and specialist medical consultations, detailed diagnostic tests and prevention programs. Additionally, there is an ENEL-MED medical practice

Under its medical agreement, Bank Millennium also negotiated preferential prices for medical packages for spouses, life partners and children up to 26 years of age, retiring employees and the parents of employees under the Senior program.

Medical Care	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank
Number of employees covered by medical care	5,976	5,656	1,628	1,628	1,423	1,099
Number of towns with medical care	445	445	457	457	413	408

Medical prevention

Every autumn, a nationwide campaign of **vaccination against influenza** is conducted with the participation of the Bank's medical partners. Vaccines are organized at the Bank's head office in Warsaw and Gdańsk - and in medical centers in Poland's other cities.

Promoting a healthy lifestyle



Bank Millennium is implementing the **Millennium Active Zone** program aimed at promoting physical activity among employees and developing knowledge about healthy lifestyle. A number of initiatives were undertaken in 2018 as part of this program. Teams composed of Bank employees took part in the Corporate Run (Wrocław, Warsaw), The Color Run (Poznań, Warsaw, Gdynia), Runmageddon and the Marine Commando Run (Bieg Morskiego Komandos). Employees, their families and friends took part in two editions of the Bicycle Invasion (Potop Rowerowy), i.e. bicycle trips to Sweden, and bike competitions during Kaszebe Runda. Some employees also represented Bank Millennium in several bicycle races organized as part of the Cisowianka Mazovia MTB Marathon and Lotto Poland Bike Marathon cycles.

Sport and recreation activities

Bank Millennium Group employees are offered two types of sport and leisure benefits: **MultiSport pass** which offers unlimited access to sports facilities throughout Poland or **cinema tickets**. Once per two quarters, employees may select the activity of their choice.

MilleClub



MilleClub is to promote among the employees various types of initiatives carried out in the form of sports, travel, cultural or art projects. The Club allows them to develop their passion; they may receive co-funding up to 50% of the cost of the project. Additionally, under **Kids projects** employees may submit cultural and sports projects that promote spending family time.

Bank Millennium Group*	2018	2017	2016	2015	2014
Number and % of employees who used the MilleClub co-financing	1,500 (24%)	1,893 (32%)	2,113 (35%)	1,535 (26%)	2,031 (33%)
Amount of co-financing (PLN)	177,545	242,000	282,101	260,000	239,000

*no data just for Bank Millennium

Cash Benefits and Loans for Housing Purposes

Under their social assistance the Bank and Group companies offer **assistance** to employees who are in a particularly difficult material, family or life situation as well as **home loans** bearing low interest rates.

Benefits awarded to employees	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank
Financial assistance (PLN)	488,040	452,200	564,242	502,000	456,600	561,000
Number of employees who received financial assistance	144	133	159	144	164	163
Home loans (PLN)	879,093	711,093	1,171,503	937,503	955,645	1,547,795
Number of employees who received loans	68	63	83	73	90	117

Life Insurance

Employees may join a group life insurance on preferential terms. The insurance covers life and health of the insured and his/her family members. Six insurance variants are available so that everyone can match the offer to their needs.

Life insurance	2018 Bank	2018 Group	2017 Bank	2017 Group	2016 Group	2015 Group
Number and % of employees who used the offer	2,940 (50%)	3,100 (49%)	3,034 (55%)	3,207 (54%)	3,344 (56%)	3,437 (57%)

3. EMPLOYEE HEALTH AND SAFETY

Occupational Health and Safety activities are regulated in the Instructions for managing occupational health and safety and fire protection in Bank Millennium. **They include standard occupational health and safety topics, fire protection, labor law basics and training in these areas.** The Companies are subject to the same instructions.

The OHS audit activity is a scheduled activity based on the annual audit plan, which covers at least 50% of all the Bank's branches in any given year. All the materials from reports, post-inspection recommendations or post-accident documentation are then used by the Bank's relevant organizational units for improvement of safety.

The key risks related to failing to observe OHS rules pertain to the possibility of employees sustaining unfavorable health consequences (chiefly falling, getting hit and mental and physical burdens), the ensuing absence from work and the requirement to disburse damages.

An effective way of preventing these types of risks is to deliver training to employees and administer regular inspections of offices and the bank's branches with an eye to compliance with the rules of fire protection and OHS. [GRI 103-1, 103-2, 103-3] [GRI 102-11]

Occupational Health and Safety	2018 Group	2018 Bank	2017 Group	2017 Bank
Accidents at work*	8	7	13	11
Fatal accidents at work	0	0	0	0
Lost days ratio**	0.04%	0.04%	0.09%	0.10%
Absence ratio***	7.18%	7.4%	7.64%	8.00%
[GRI 102-30]				
OHS training**** - number and % of participants	1,340 (21%)	1,254 (21%)	1,978 (33%)	1,889 (34%)
Branch audits	184	184	191	191

*Most common accident types include trips and slips.

**Impact exerted by accidents and occupational disease on employee absenteeism. This indicator is computed by comparing the total number of days lost with the total number of hours planned to be worked.

***Indicator measuring an absent employee's actual number of days lost expressed as a percentage of the total number of days planned to be worked by employees in this same timeframe.

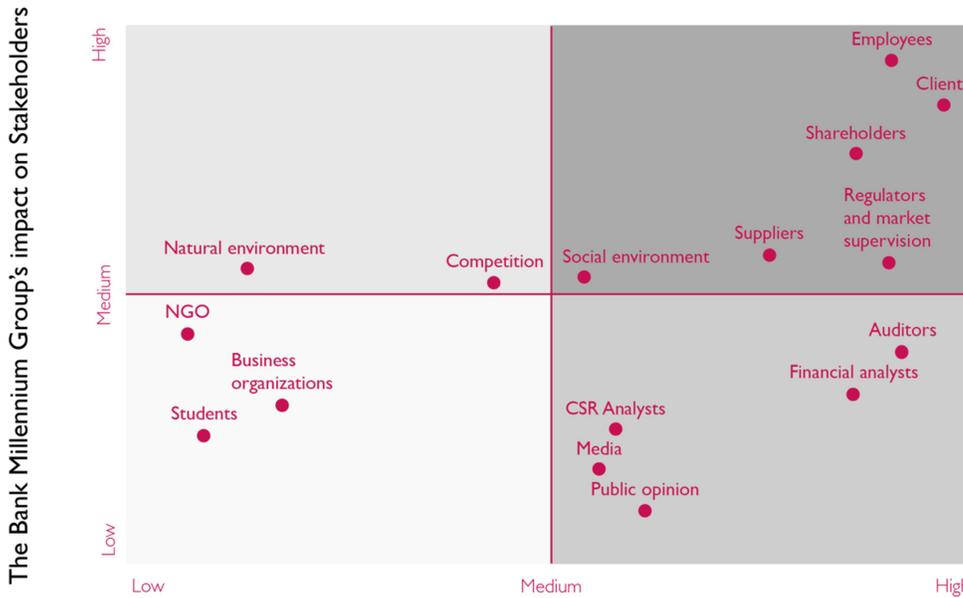
****Introductory and periodic training on occupational safety and health (conducted once every 5 years) **[GRI 403-2]**

IV. SOCIETY

1. SOCIAL ENVIRONMENT

The stakeholders of the Bank Millennium Group were selected during the mapping process. It was conducted based on the results of the internal survey to determine the influence of respective Stakeholder groups in the Bank and the Bank's influence on those Stakeholders. The people running the company's units with highest involvement in the implementation of the Bank's CSR policy were asked to fill out the survey.

Stakeholder mapping

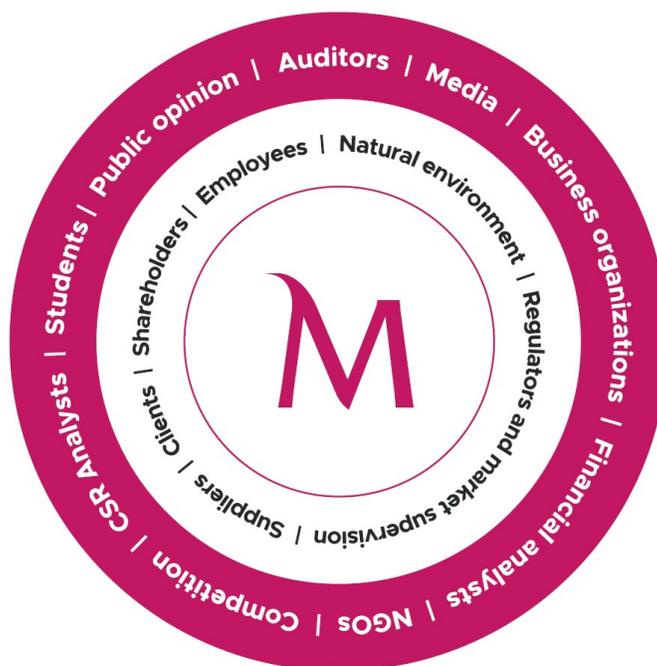


Stakeholders' impact on the operations of the Bank Millennium Group



This way, key Stakeholders of the Bank Millennium Group were selected. They include Clients, Employees, Investors, Business Partners, Social environment, Regulators and Market Supervision and the Natural Environment. [GRI 102-42]

Stakeholders of the Bank Millennium Group



[GRI 102-40]

2. DIALOGUE WITH STAKEHOLDERS

The expectations and opinions of Stakeholders are taken into account when innovations and improvements are made to the Bank's products, services and operations. The feedback from Stakeholders is received from the following sources: [GRI 102-43]

Dialogue with Stakeholders [GRI 102-44]

Stakeholder	Channels of communication	Frequency of communication	Topics raised	Bank's actions
Investors and market analysts	General Meeting of Shareholders	Once a year	Transparent activity, quick and easy access to information about the Bank, ethical and socially responsible business.	Observance of corporate governance principles, ensuring transparency, security and ethical character of operations, quick exchange of information through multiple communication channels with Shareholders.
	Roadshows and conferences	Several times a year		
	Meetings	Several hundred times a year		
	Stock exchange communication and press releases	Ongoing		

Clients	Branches, mobile and internet banking,	Ongoing	High quality of products and services offered, ethical marketing and selling practices, safety of deposited funds, ease of use of products and communication with the Bank, improvements in accessibility of the Bank's services and non-making services.	Fast and easy access unfettered by obstacles to banking and non-banking services, ethical advertising and sales, providing explicit information about the conditions for using services, easy contact with the Bank, ensuring the safety of client funds.
	Website, social networks,			
	Hotline			
	Complaints			
	Product and service satisfaction surveys and customer service quality surveys	Monthly/quarterly/yearly and ad hoc		
	Focus groups	A few times a year		
Employees	Intranet, social forum, chats	Ongoing	Stability of employment and professional development opportunities, fair salary and rewards, ensuring bi-directional communication, conveniences for working parents.	Communication with employees and responding to their expectations, professional competence development programs for parents, activities outside the workplace were co-funded, possibility of participating in sport events and employee volunteerism.
	Whistleblowing system	Ongoing		
	Meeting with the participation of the Management Board	Several times a year		
	Employee appraisal	Once in six months		
Suppliers	Periodic meetings	Several hundred times a year	Fair rules for selecting and cooperating with suppliers.	Use of objective procedures for selecting suppliers; timely performance of agreements; supplier selection in accordance with ethical and environmental standards.
	Telephone, e-mail	Ongoing		
	Negotiations and performance of agreements	Ongoing		
Social environment	Offers of cooperation	Several hundred times a year	Supporting social projects by the company and employees.	Merit-based and financial support for social projects; financial education; encouraging employees to take part in social and volunteering campaigns.
	Meetings with students	Several dozens a year		
	Employee volunteerism	Several dozens a year		

Environment	Environmental rankings	More than ten a year	Reducing the negative the environmental impact, environmental education of clients and employees.	Monitoring and lowering the environmental impact, environmental education programs.	
	Environmental reports for state administration authorities.	More than ten a year			
Regulators (KNF, BFG, UOKiK, NBP, KSF)	Reports	More than ten a year	Recommendations regarding communication with clients, reports on the Bank's operations, risk assessment related to the Bank's operations.	Reporting and implementation of recommendations of regulators.	and of
	Correspondence				
	Audits				

3. SOCIAL ACTIVITY

Social programs are chiefly run through the Bank Millennium Foundation and pertain to two areas: **financial education, and volunteerism**. The Bank also supports cultural events and university education as well as programs promoting innovation.

	2018		2017		2016		2015	
	Donations	Sponsoring	Donations	Sponsoring	Donations	Sponsoring	Donations	Sponsoring
Culture		797,983		558,848		573,515	150,000	587,684
Education	776,500	394,215	21,500	219,836	557,000	311,919	103,236	
Charitable causes					88,294		41,168	
Other	487,005	332,191	566,059	211,812				
Total	1,263,505	1,524,389	587,559	990,495	645,294	885,434	294,404	587,684

3.1. BANK MILLENNIUM FOUNDATION PROGRAMS

The social programs run by the Bank Millennium Foundation focus on two areas:

1. Financial education



Since 2016, the Bank Millennium Foundation has carried out the “Financial ABCs” project. It is a proprietary financial education program for kindergarten-age children run under the honorary patronage of the Minister of Education and the Ombudsman for Children’s Rights. It has been developed by Bank Millennium employees in collaboration with a non-governmental organization. Its objective is to explain to these young children some basic financial concepts through fun and games. During the workshops organized in kindergartens, children learn the basic financial

terms: what money is and how its value is measured, what an ATM and a credit card is, what is the difference between a need and a desire and why it pays to save. The classes are done by volunteers, Bank Millennium employees.

So far four editions of the program have been organized. Overall, nearly 33,000 children from approximately 400 preschools across Poland have received instruction during nearly 1,300 workshops. In addition to the organization of training in kindergartens, the Foundation conducts open workshops in public spaces for all the willing children. In 2018, on the Children’s Day, for three consecutive days, the youngest could participate in classes in the Blue City Shopping Center in Warsaw, and during two September weekends, as part of the Science Festival in Warsaw, they could participate in financial education workshops. Special educational materials in the form of books were put together for the program whose main character is Sebastian. There are also booklets for coloring and stickers. Parents - Bank Millennium employees helped create these materials. These books are also available in children’s corners in the Bank’s branches. [GRI G4-FS16]

2. Employee volunteerism



The Foundation runs a program entitled Millantrop under which grants are awarded in a contest format for Bank employees to conduct social campaigns. So far, more than 400 volunteers took part in the initiatives financed by the grant program and they carried out programs for several thousand beneficiaries. Bank employees have been involved in diverse projects, from repair work to education to environmental projects. The volunteers have already renovated school rooms and playgrounds for an orphanage, equipped a therapy room for the disabled, laid new floor at a scouting facility or even built a school football pitch. The volunteers also conducted financial education workshops for children from various care institutions, promoted reading and encouraged young people to participate in sports activities and adopt a healthy lifestyle. They carried out a campaign for an animal shelter and planted a forest.

This formula of support for people and institutions in need works very well. Projects are submitted by employees who are aware of the needs of the local community. As a result, our help goes where it is really needed: frequently to small towns or villages, where it is difficult to obtain support from other sources.

Projects in the Bank Millennium Foundation’s grant contest in 2016-2018

Number of volunteers	441
Number of beneficiaries	6,987
Hours spent on project execution	1,099

3.2. CHARITABLE CAMPAIGNS

Charitable runs

Every year Bank employees participate in charitable runs in which the Bank co-funds participation. In 2018, bank teams competed among others in the Santa Clause Run, Corporate Run in Warsaw and Wrocław and the Marine Commando Run.



Charitable Craft Auction

The Charitable Auction has taken place annually for 6 years. The money collected from it is matched by the Bank and then given for the purpose of treating the disabled children of Bank employees. Employees contribute their handicrafts for an intranet auction (holiday ornaments, photos, paintings, jewelry, decoupage, decorations and others). In 2018, the auction was accompanied by additional initiatives aimed at promoting the campaign and raising additional funds. Handicraft workshops were organized, during which additional items were crafted for the auction. There was also a raffle and a charity run. A record amount of PLN 82 thousand was collected for the beneficiaries.

3.3. PROMOTION OF CULTURE

Our activity in the field of culture has constituted an important part of the social activities pursued by Bank Millennium for 30 years. They are planned based on the following assumptions:

- cooperation in long-term programs with clearly defined goals is preferred,
- supported programs should have a broad public audience and be available through the media too,
- major partners in pursuing cultural programs should be first of all cultural institutions, non-governmental institutions and the media.

Bank Millennium has been supporting national and local cultural undertakings for 30 years now. It is a **360° patron of culture**: it promotes art in nearly all its manifestations, including music, painting, sculpture, film, theater, photography, literature and performance. Bank for 17 years, it has been funding the “Golden Scepter” award for eminent cultural personalities, for 11 years “Millennium Pearls” (“Perty Millennium”), a joint program of Bank Millennium and Polish TV (TVP), whose purpose is to produce, promote and present artistic events in the high art realm on Polish TV. For 16 years it has sponsored the Złota Tarka (Golden Grater) Old Jazz Meeting, an International Traditional Jazz Festival. For 7 years it has been associated with the Sacrum Profanum contemporary music festival, for which it received from Krakow Festival Office the “Lifter of Culture” award. For more than 6 years it has been a patron of the Bella Skyway Festival - a multimedia spectacle staged by an international group of artists. For 7 years it was associated with the Two Theaters Festival, for 5 years - with the Gdańsk Music Festival. It also supported the Mozart Festival in the Warsaw Chamber Opera and many others.



Currently, the most important cultural project for the Bank is the **Millennium Docs Against Gravity Film Festival**. This is the largest, global documentary film festival in Poland with accompanying events (workshops, discussions and concerts). In 2018, the showings and festival events were held in 26 cities in Poland and were attended by an audience of 65 thousand (compared to 4.5 thousand in 2004). Bank Millennium has partnered with Millennium Docs Against Gravity for 13 years and in 2016 it assumed the role of titular patron over this festival.

For several years the Bank has been a partner for the only ranking of young Polish artists and an exhibition of their work: **Youth Art Compass**. The goal of this initiative, in addition to the promotion of recognized young artists, is to engage in efforts to build a professional art market in Poland and educate on trends in art. Youth Art Compass is an excellent guide for collectors, owners of galleries and auction houses and investors, who treat this ranking as a source of valuable information about the position of young artists. The Bank has also funded a prize for the winner of this ranking. The results of Youth Art Compass are published every year in the Rzeczpospolita daily and they are accompanied by educational articles pertaining to contemporary art, thereby making it possible to reach a higher number of people.

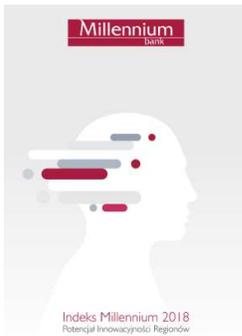
3.4. SUPPORT FOR INNOVATION

Bank Millennium advances a 360° culture of innovation. This means that it offers innovative solutions to clients and it creates working conditions for employees that are conducive to creating thinking. The Bank also examines trends in its market environment by publishing topical reports and supporting innovation-related events.

Eagle of Innovation Contest



Since 2015, Bank Millennium has been a partner of the Eagle of Innovation contest organized by the Rzeczpospolita newspaper. The goal of the initiative is to select and distinguish the most innovative business undertakings in Poland. In 2018, the board of the contest also selected Maria Skłodowska-Curie as the “Innovator of the Century”. Bank Millennium takes part in many accompanying activities as a strategic partner in this contest. They take the form of recorded debates, articles and commentaries.



Millennium Index Report - Regions' Innovation Potential

The report entitled *Millennium Index Report - Regions' Innovation Potential* authored by Bank Millennium experts is our contribution to the public debate concerning the drivers of regional development in Poland. The third edition of the report was published in 2018. It contains an analysis of the factors fostering and inhibiting the development of innovation in each one of Poland's regions. The report has been enriched to include commentaries from an extensive group of experts: economists, academics, business practitioners and local government officials. This makes it a valuable publication and a source of knowledge for local government authorities on how to level the playing field for regions in Poland. National and regional media have cited this report many times. The report was presented at the Economic Forum in Krynica. This has made it possible to reach an extensive group of recipients and spark

interest in the subject of developing innovation in Poland.

3.5. SUPPORTING EDUCATION

Undergraduates

For years the Bank has been giving students and graduates an opportunity to hone their competences and interests and gain their initial professional experience. This was made possible through participation in the Millennium Bankers internship program, the regularly recurring Expert Start-up development programs and free of charge training sessions and workshops.

Education programs - numbers of participants

Program	Description	2018	2017	2016	2015	2014
Millennium Bankers	The Summer internship program facilitating student involvement in independent complex projects in which they acquire practical knowledge of the banking business. The program was named High-Quality Internship and Traineeship by the Polish Human Resources Management Association.	67	40	34	34	24
Millennium Academy	The purpose of free workshops and training for students run by the Bank's specialists is to show the specific nature of a job in banking and present possible career paths.	612	180	200	204	211
People Grow	is a managerial competence development program for graduates and students completing their final years of study. It is a two-year on-the-job training programme that offers an opportunity to obtain comprehensive knowledge of the bank's operations.	-	-	3	6	8
Expert Start Up	is a collection of internship programs conducted in various departments of the Bank for people interested in working for the financial sector. The interns are supported by managers and specialists in the area in which the project is conducted.	4	8	12	4	9
Total		683	228	249	248	252

Opening of a coworking center in the Warsaw School of Economics (SGH)

Bank Millennium is a member of the SGH Partner Club and works closely with the university, taking active part in its life not only as its sponsor but also in terms of educational substance and developing its brand as an employer. As part of a cooperation agreement between the institution, the first coworking center at SGH was created in 2018. It is a place for meetings, networking, consultations with business theorists and practitioners from SGH and the bank. The coworking center allows students and graduates who have established or plan to establish a start-up business to work freely and marry their concepts with business practice.

Several months after the center was opened, the SGH students who developed their start-up in the coworking center won the Enactus Polska National Competition 2018. In the following stage they took their project, entitled MIONSZ, to represent their university and Poland at the Enactus World Cup 2018 at the Silicon Valley in California. They presented a social project for the use of fruit that is classified as waste for the production of natural juices without the addition of sugar. Bank Millennium sponsored 5 scholarships for MIONSZ members to go to the Silicon Valley.

Cooperation with the SGH Student Scholars Club of Statistics

In 2018, the flagship projects of the Student Scholars Club of Statistics were carried out in cooperation with the Bank. Bank Millennium was the Strategic Partner of the event entitled "Big Data - bigger opportunities". The meeting included workshops on: presentation of consumer survey results, product marketing in retail banking, corporate transaction banking and the practical application of the Design Thinking, Agile Development and Lean Startup methods.

Additionally, Bank Millennium experts conducted a series of lectures, workshops and seminars showing the young people how the knowledge they acquire can be used in various departments and banking processes. The Campaign Management Department cooperated with the Student Scholars Club of Statistics to conduct a workshop for 30 students of the Warsaw School of Economics. The meeting was focused on the recommendation systems using tools in the Microsoft Azure Machine Learning cloud. Another seminar delivered by the Risk Department was entitled “PD models - crystal ball in banks”. The students learned about the tools supporting credit decision-making and how an optimum point is defined in the proprietary scoring model below which the bank should not grant a loan.

Promotion of Science

In 2018, the Bank was a partner of the “Artificial Intelligence” topic at the Warsaw Science Festival. The cycle included more than ten debates, workshops and presentations focusing on the use of artificial intelligence today and in the future, as well as related opportunities and threats. A Bank Millennium expert took part in one of the festival’s main debates. Nearly 50 thousand people in total participated in more than 1000 events held as part of the festival at the institutions of higher learning in Warsaw.

V. NATURAL ENVIRONMENT

1. ENVIRONMENTAL IMPACT MANAGEMENT

The Bank Group minimizes its environmental impact through rational management of materials, monitoring the consumption of water, energy and fuel, introducing environmentally-friendly solutions in its operations, encouraging employees and customers to participate in educational campaigns.

The indicators of the Bank's environmental impact are measured regularly. Environmental campaigns are conducted based on analyses of changes in these indicators. **Environmental objectives relating to the consumption limits for materials, energy, fuels and water are included in the objectives imposed on managers of individual departments at the Bank.** Fulfillment of these objectives is monitored on a regular basis and reported to the Management Board. [GRI 103-1, 103-2, 103-3]

The Bank Group **observes environmental protection regulations** (Act on Waste) that impose an obligation of properly managing waste by collecting the requisite documentation (including the Waste Transfer Card), preparing and submitting reports to the pertinent Marshal's Offices on the type and quantity of waste created. A company energy audit is conducted once every 5 years.

The key risks associated with the failure to manage environmental impact involve the possibility of criminal and financial sanctions and reputation loss. Since the Group's operations are not excessively burdensome on the environment, these risks are not assessed as being high. [GRI 102-11]

In 2018 the Bank Millennium Group did not receive information on any case of it infringing the environmental protection regulations. [GRI 102-30, 307-1]

2. REDUCTION OF MATERIAL CONSUMPTION

In the Bank Millennium Group the materials and office equipment procurement system is centralized. The application to submit purchase orders makes it possible to verify the justification for purchasing every order. Monitoring the performance of budgets to procure materials and reduce the number of purchase orders to the level of the current consumption leads to curtailing the consumption of resources and the waste generated.

The method of placing orders and the prerequisites to purchase new office furnishings and equipment is regulated by internal instructions. Every purchase order is checked separately with an eye to the justification for the purchase and the standards prevailing in the Bank. Effectively managing own resources through re-use makes it possible to limit the purchases of devices such as counters, shredders, coolers, microwaves, furnishings and office accessories.

Consumption of materials (kg) [GRI 301-1]	2018 Group	2018 Bank	2017 Group	2017 Bank	2016 Bank	2015 Bank	Group - change 2018/2017	Reasons for change
Paper and paper rolls for operational needs	322,953	307,433	294,393	278,998	292,255	302,991	10%	In 2018, the number of the Bank's active clients rose by nearly 12% yoy. Despite the considerable increase in the number of clients and the need to print out additional documents and forms required by GDPR, the consumption of paper rose only by about 10% yoy.
Envelopes	62,834	61,381	61,070	59,422	56,140	73,208	3%	Additional mass mailing to clients (balance confirmations, letters: Security Package, GDPR, PAD, PSD, SKOK).

Plastic articles	14,285	13,304	13,920	13,493	12,822	12,155	3%	- the higher plastic consumption figure results from a methodology change in 2018. - consumption of plastic bottles in the companies was included (they are not ordered at the Bank).
Consumable materials for printing devices	n/a	703	n/a	827	970	1,326	-15%	Effective management of own resources and checking of each purchase order in the context of the justification for a purchase.
Batteries	588	540	449	408	364	411	31%	- increasing the number of devices, combination locks and replacement of batteries in remote holdup alarm switches.

**data for the Bank only*

3. WASTE MANAGEMENT CONTROL

In 2018, the Bank recorded a 48% increase in the volume of waste it generated. The increase was related mainly with the redesign of branches and destruction of archived documents.

Paper, metal, wood, plastic, glass and electronic waste produced in the course of the operating activity of the Bank and some of the companies is recycled or utilized by a specialized company with which the Bank has signed a contract. **82% of the waste is recycled.**

Municipal waste from the Bank's head office in Warsaw is collected by a specialized company. **Roughly 75% of the municipal waste is recycled.** The Bank's head office has introduced waste segregation into four fractions (plastic, paper, glass and other). Containers to collect batteries and small electrical waste have been put in place. A campaign to collect large size electronic waste takes place once a year. Social rooms in branches are equipped with built-in trash segregation waste bins.

Recycling and disposal of materials (kg) [GRI 306-2]

Bank Millennium	2018	2017	2016	2015	Change 2018/2017	Reasons for change
ICT equipment and devices	17,654	17,210	9,052	19,913	2%	Regular replacement of the slowest ICT equipment in the head office and branch network no longer fit for use.
Paper	298,428	289,815	224,581	249,311	3%	Shredding documents whose storage period in the external archive has expired in a given calendar year.
Metal waste and cable	13,217	7,020	6,388	7,162	88%	The increase in the quantity of waste stems from branch network optimization (relocation, reconstruction, closure).
Plastic articles	936	1,253	209	770	-25%	
Glass	3,176	1,581	16	3,690	101%	The disposal of the Bank's equipment withdrawn from use that is not suitable for continued use since it has been fully exhausted or damaged.
Furniture	22,711	14,177	8,656	8,841	60%	

Lead batteries	0	380	102	4,448	-	
Waste printing toner	438	406	154	n/a	8%	
Mixed concrete and brick rubble waste, waste from construction sites and renovations	5,310	7,556	3,500	n/a	-30%	Waste created as a result of branch network optimization efforts - investments / reconstruction / relocation, etc.
Recycled waste (%)	82%*	80%	88%	88%	2%	

* 82% from 97% waste listed above was recycled.

4. MONITORING ENERGY, WATER AND FUEL CONSUMPTION

After an analysis of the consumption of water, energy and fuels, measures are taken to reduce consumption of these resources.

Bank Millennium	Group 2018	Bank 2018	Group 2017	Bank 2017	Bank 2016	Bank 2015	Group change 2018/2017	Bank change 2018/2017
Electricity purchased (kWh)	30,060,119	25,984,803	29,758,730	26,137,322	28,919,799	22,730,441	1.01%	-0.58%
Heating energy purchased (GJ)	77,741	68,557	74,311	66,745	66,993	81,417	4.62%	2.7%
Natural gas (m ³)	204,378	169,791	194,866	169,916	155,237	152,726	4.88%	-0.07%
Heating oil (L)	4,600	4,600	11,218	9,131	13,570	13,832	-58.99%	-49.6%
Water (m ³)	87,654	80,549	78,573	72,078	68,511	70,703	11.56%	11.75%

[GRI303-1]

Energy and water consumption [GRI 302-1]

Fuel consumption

Fuel consumption by the Bank's car fleet increased by about 22% compared to 2017. On the other hand, consumption of fuel in diesel motor vehicles fell by roughly 26%. This was caused by a higher number of cars in the fleet and the gradual replacement of cars with hybrid drive models, which reduce the emission of exhaust gases to the environment.

Fuel consumption

Bank Millennium	2018		2017		Change 2018/2017	
	Gasoline	Diesel	Gasoline	Diesel	Gasoline	Diesel
Fuel consumption (liters)	408,925	169,800	333,767	203,889	22%	-17%

Bank Millennium Group	2018		2017		Change 2018/2017	
	Gasoline	Diesel	Gasoline	Diesel	Gasoline	Diesel
Fuel consumption (liters)	528,548	183,519	433,156	249,621	22%	-26%

Business travel

The Bank established limits for the use of various types of transportation to rationalize the number of business trips. Employees use mainly railway and bus transportation. Travelling by airplane or by private car is limited.

Business travel (km)*	2018	2017	2016	2015	Change 2018/2017
Air	566,782	212,425	185,227	241,638	167%
Taxis	3,562	3,155	1,716	1,317	13%
Railway	2,739,829	2,227,450	1,923,347	1,794,890	23%
Bus	483,499	247,495	211,568	199,432	95%

[GRI 302-1]

*data for Bank Millennium; the Companies do not keep a register of km travelled

The growth in the costs of transport by rail, bus and taxi stemmed from the higher number of training sessions /conferences addressed to sales departments and an increased number of business trips. At the end of 2018 Bank Millennium acquired SKOK Piast and signed by agreement to acquire Euro Bank, which also contributed to an increase in costs of business trips.

New employees participating in orientation training sessions in Warsaw are transported by taxi from their hotel to a training session in the Bank's head office because there are some impediments to using the municipal transport system. The growth in the costs of airfare was driven by an increase in international business trips.

Companies handle their business travel on their own.

Greenhouse gas emissions [GRI 305-1]

In 2018, nearly 90% of the Group's entire carbon footprint came from indirect emissions related to the consumption of electricity and heat in the Bank's facilities (about 42.7% and 47.0%, respectively), while some 9% came from the combustion of fuel in its own power installations and vehicles and approximately 1.2% from indirect emissions associated with the use of public transportation.

In 2018, Bank Millennium's Group CO₂ emissions **were reduced by about 32%** as compared with 2017. In 2018 a total increase in electricity consumption of about 15% was noted, however the Bank Millennium Group changed the electricity supplier. The new supplier has a significant share of natural gas in its portfolio, which significantly reduced the total CO₂ emission in the Bank Millennium Group.

The reporting scope of these CO₂ emissions pertains to direct emissions from burning fuel in its own sources of energy and cars (according to Scope 1 GHG Protocol), indirect emissions from burning fuel to generate the electricity and heat purchased by the organization (according to Scope 2 GHG Protocol) and other indirect emissions resulting from burning fuel in means of transportations not controlled by the organization, i.e. taxis, aircraft, trains and buses (according to Scope 2 GHG Protocol); The data pertaining to emission ratios come from the IPCC 2006 Guidelines for National Greenhouse Gas Inventories, Guidelines to DEFRA's / DECC's Greenhouse Gas Conversion Factors for company reporting, domestic environmental agencies, i.e. kobize.pl and kape.gov.pl and the Bank's and Group's electricity supplier.

Total emissions (tons)	2018	2018	2017	2016	2015	2014	2013	2012	2011
	Group***	Bank							
CO ₂ *	22,435	19,516	33,295	35,971	32,127	41,819	42,787	43,305	39,117
CO ₂ e**	22,629	19,685	33,462	36,151	32,636	42,388	43,346	43,879	39,659

* concerns carbon dioxide emissions

** CO₂e - concerns the total emission of greenhouse gases: CO₂, CH₄ and N₂O calculated as the CO₂ emission equivalent

*** data concerning the Millennium Group cover the consumption of electricity and heat as well as fuels at the Bank and the Millennium Group, at the same time the calculated emission includes only data regarding emissions as a result of business trips in Bank Millennium

The foregoing data pertaining to what is known as the Carbon were calculated on the basis of the methodology entitled Green House Gas Protocol, A Corporate Accounting and Reporting Standard, Revised Edition WBCSD (World Business Council for Sustainable Development).

5. INTRODUCTION OF ENVIRONMENTALLY-FRIENDLY SOLUTIONS

Bank Millennium Group conducts a number of activities aimed at optimizing the consumption of energy, water, fuel and purchased materials.

Plastic

Action	Description
Limiting plastic consumption	<ul style="list-style-type: none"> - popularity of payments using a virtual card in a mobile application reduces the need to issue plastic cards; - water treatment purifiers have been installed in the Bank's head office - there is no need to buy bottled water; - based on the average number of shipments sent out, a limit for secure plastic envelope orders was set for each of the Bank's organizational units. A 4% decrease in consumption was recorded as compared to 2017.
Efficient management of available resources	Reuse of resources allows the Bank to reduce the purchased quantities of furnishings (desk chairs), own devices (shredders and bill counters) and consumable materials (e.g. toners, hangers, inking ribbons).
IT Tools	The IT system supports verification of each purchase order for materials and office equipment in terms of the justification for the purchase and the defined limit, thereby contributing to reduced consumption of resources.

Paper

Action	Description
Restrictions on printing of documents	<ul style="list-style-type: none"> - in the branches, internal transactions are accounted for in the system - there is no need to print them out. - the quantity of paper ordered to print cash and treasury transactions is controlled on an ongoing basis, based on monthly cash transaction reports; - through automation of the ATM settlement process, the related documents no longer have to be printed. - monitoring of the number of printouts - reports are sent to the units generating the largest numbers of printouts, which allows them to take reduction measures; - printouts can be made on company printers only after an employee logs into a specific device, which prevents accidental printouts.
Electronic workflow of internal documents	<ul style="list-style-type: none"> - by introducing IT systems for processing internal documents, the circulation of most paper documents has been eliminated in the Bank; - processing client documentation (e.g. loan applications) is based on electronic copies of documents;

Less printouts for clients	<ul style="list-style-type: none"> - some documents are posted on the Bank's website and on the internet banking site. Through internet banking, the client is e.g. informed on changes in the terms and conditions of services (on durable media). This helped save nearly 74 million pages of printouts; - a client purchasing a bundle of banking services may sign a single consolidated agreement instead of several separate agreements for each product. It is also possible to receive a consolidated statement containing information concerning all the products held in the Bank. - access to e-administration - official applications may now be filed through the electronic banking facility, which reduces the consumption of paper. - city transport tickets and parking tickets may be purchased through the mobile app; - electronic statements - electronic statements are the default option for every new client concluding an agreement for bank products and services. It is possible to opt out of this option at a client's request. 80% of our clients use on-line statements. - electronic application process for services: opening of another bank account, cash withdrawals, update of personal ID details; - the goodie procurement platform launched by Bank Millennium makes it possible to browse stores' online offers and electronic newspapers instead of their hard copy counterparts; - On-line trade finance module - solution for corporate clients facilitating electronic orders and remote correspondence with the Bank. - e-guarantee for business clients - it is a bank guarantee issued in electronic form (as PDF file) using qualified electronic signatures of two of the Bank's legal representatives. The advantage of the product is that the guarantee is delivered speedily (to a specified e-mail address or to be downloaded from the Millenet system), nothing is printed out and no messenger costs are incurred; - Millennium TFI allows its distributors to purchase fund units over the Internet. Transaction confirmations may be sent to the client by e-mail.
Product sales via remote channels	<ul style="list-style-type: none"> - Retail clients may apply for credit, savings and insurance products using remote channels where paper documentation does not exist at all. In this process, an agreement is approved by the SMS P@ssword and its wording is available in the system, so it does not need to be printed out. - corporate clients are encouraged to apply for loans and payment cards through the internet banking system, in which the entire documentation is uploaded remotely.

In 2018, intensive growth of product and service sales in electronic banking channels was visible both in the major product categories (see table below) and in the group of non-banking products and services. Sales of city transport tickets rose by 173% yoy, travel and motor insurance by 75% yoy, phone charges by 26% yoy and the number of HCE cards by 109% over the year.

Share of electronic channels in the sales volume of major products yoy

Personal accounts*	Cash loans	Overdrafts	Term deposits	Savings accounts
22%	43%	41%	89%	30%

**process commenced in the electronic channel*

Electricity and water

Action	Description
Energy-efficient building of the Bank's head office	- the savings in energy and water consumption are affected, among others, by the use of LED lights in corridors and parts of the garage, heat recovery in ventilation units, fancoils switched to an economic mode at night, silent operation of the central heating unit at night; light turned off on a temporary basis after 6:00 p.m., rainwater collection and use system. The office building has a BREEAM certificate for environmentally-friendly buildings.
Energy savings in branches	- replacement of light sources in external advertising panels of the branches, from traditional fluorescent lamps to energy-saving LED light sources; - limited operation of external advertising panels (they are turned off at midnight); - energy-efficient light sources in new or upgraded branches.
Rational management of energy consumption	- Air conditioning is set at 21 degrees Celsius and ceases to operate after working hours; - reduction of temperature in rooms with continuous power supply devices from 21 to 18 degrees Centigrade; - virtualization of servers has made is possible to reduce the number of physical hardware in the computer center, which drove down energy consumption for power supply and air conditioning; - regular replacement of computer hardware with newer hardware offering lower power consumption; - reduction of power capacity of backup power supply units at the head office in Gdańsk and Warsaw from 120kW to 80kW.
Water and energy consumption is monitored on an ongoing basis.	Based on the financial data, a ranking of energy recipient by its consumption is prepared. Branches with the highest energy consumption rates are controlled and recommendations for building administrator companies are implemented. Similarly, in the event of high utility bills it is verified whether the consumption is correct and whether or not any devices or installations have broken down.
Design of services	The processes in the mobile and internet banking system are designed to take as little time as possible and involve the least amount of formalities. The agreements are signed with an SMS password signature, which saves paper and energy (by reducing the time of work with the computer or the phone).
Optimization of water consumption	- installation of water perlators in toilets and kitchens; - setting the optimum water usage level in toilet flush tanks

Energy savings in branches	2018	2017	2016	2015
Branches with LED lighting	361 (100%)	355 (100%)	369 (100%)	410 (99%)
Branches with panels turned off at midnight	305 (84%)*	307 (86%)*	312 (84%)*	363 (87%)*
Energy-saving sources of light in branches	100 (28%)	80 (22%)	72 (19%)	49 (12%)

[GRI 302-4]

* the remaining panels are lit up for the entire opening time of the shopping malls in which they are located

Fuels

Action	Description
Hybrid vehicles	Nearly all the cars in the Bank's fleet have been replaced with hybrid models. That signifies a considerable reduction in exhaust emissions into the environment. The fleet will emit more than 500 tons of CO ₂ less per annum (a 20.6% reduction in emissions) in comparison with the level prior to replacing the cars.
Limiting the amount of business travel	In order to minimize business travel, limits are used for respective types of transportation and remote communication methods are used, such as: e-learning courses, teleconferencing and videoconferencing. About 700 video conferences were held in 2018.

[GRI 302-4]

6. BANK'S ENVIRONMENTALLY FRIENDLY PRODUCTS AND SERVICES

The Bank offers certain products, which are used to implement environmental measures or finance environmental undertakings.

Environmentally-friendly products in Bank Millennium's offer

Client segment	Product
Individual Clients	WWF Card
Prestige Clients	Green Mutual Funds
Corporate Clients	Leasing Eko Energia
	Loan for Technological Innovations

7. ENVIRONMENTAL EDUCATION CAMPAIGNS

Environmental campaign for employees



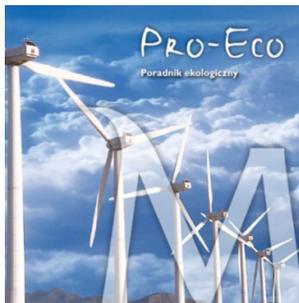
Bank Millennium liderem ekologii

In 2018, a film was published in the Internet, in which the Bank's employees advised on how to take care of the environment at home and in the office. It also summarized the environmental measures undertaken by the Bank. The video clip was viewed by more than 1,000 people.

Collection of electronic waste

At the end of 2018, a collection of electronic waste was carried out at the Bank's head office in Warsaw. During a 5-day campaign, approximately 150 kg of electronic waste brought in by employees was collected.

Environmental Guide for clients and employees



The environmental guide for clients and employees published in the Intranet and on the website is a concise presentation of many specific pieces of advice on how to care for the natural environment, both in the office and at home. This brochure refers to segregating waste and electrical garbage as well as to the rational use of commodities, water and energy.

VI. ABOUT THIS REPORT

1. APPROACH TO REPORTING

About this report

The Bank Millennium Group's non-financial report depicts the operations of the Bank Millennium Group during the period from 1 January 2018 to 31 December 2018 [GRI 102-50] unless stated otherwise. The report was drafted in accordance with the "Core" option of GRI Standards and in accordance with the non-financial reporting requirements imposed by the amended Accounting Act. [GRI 102-54] It contains a recap of the Bank Group's activity in the sustainable development context, i.e. in the economic, social and environmental areas. The Bank Group publishes reports annually. [GRI 102-52] The most recent report was published for 2017. [GRI 102-51]

The report describes the operations of the Bank and the Bank Millennium Group's major companies: Millennium Leasing, Millennium Dom Maklerski and Millennium Towarzystwo Funduszy Inwestycyjnych. [GRI 102-45] Two significant changes occurred in the organization during the reporting period. In Q4 2018, Bank Millennium took over management of Spółdzielcza Kasa Oszczędnościowo-Kredytowa Piast (SKOK Piast) and signed by agreement to acquire Euro Bank. This however did not materially affect the organization's supply chain. [GRI 102-10]

This report has undergone no significant changes in its reporting scope and reporting boundaries compared to the most recent publication in 2017. [GRI 102-49] Nor does this report contain any adjustments to the information in the previous report. [GRI 102-48]

Methodology

The process of defining the report's contents, conducted at the end of 2017 and reviewed in 2018, entailed a review of the hitherto reporting issues in accordance with the three steps required by the GRI Standards, i.e. identification, prioritization and validation. On this basis, an analysis was first conducted of the research conducted among the key Stakeholders (clients and employees), internal documents, sustainable development practices and trends in the industry as a result of which a list of the reporting aspects aligned to the Bank Group's operations was created. The aspects selected were subject to prioritization by the managers of the Bank and Companies from the vantage point of two criteria: reputation impact and the Bank's business strategy. As a result, the list of aspects pertaining to the Bank Millennium Group's sustainable development was prepared. [GRI 102-46]

Below please find the list of reported aspects selected during the reporting process along with the bounds of their impact. The aspects have been divided into three groups to reflect the findings of the analysis according to the two criteria mentioned above. The first group consists of the key aspects for the Bank Group's operations that have been captured in detail in the report. Their description entails the management approach used and the specific resultant outcomes. The second group of topics are the ones that reference the Bank Group's operations to a medium degree. Their description in the report is limited to the resultant outcomes or a qualitative description. The third group of aspects consists of issues of lesser significance. Concise information or reference to other documents may be found in the report.

The analysis of all these aspects gives consideration to their nature and impact. The boundaries of the internal aspects have been labeled with the letter (w), while external ones have been labeled with the letter (z). The nature of the impact has in turn been divided into a direct impact (b) and an indirect impact (p) - related to the firm's business relations. [GRI 103-1]

The aspects of the Bank Millennium Group’s sustainable development reporting [GRI 103-1, 102-47]

Impact		nature					
Int.	ext.	d	In	Int.	ext.	d	In
internal	external	direct	indirect				
Group 1: KEY ASPECTS	■ Corporate values	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Legal compliance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Quality of Customer Service	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Free competition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Ensuring the safety of the deposited funds	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Technologies and innovations	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Accessibility of financial services	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	This report contains a description of the approach taken to managing these aspects as well as the resultant data.						
Group 2: ASPECTS OF MEDIUM SIGNIFICANCE	■ Business performance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Marketing communication, ethical marketing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Employee satisfaction	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Transparency and dialogue with the environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ OSH in the workplace	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Relationships with Stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Protection of client privacy	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	This report contains resultant data and descriptions.						
Group 3: LESS SIGNIFICANT ASPECTS	■ Respecting human rights	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Relationship manager’s powers, customer service	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Recruitment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Employee development and training	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Customer service for disabled people	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Combating corruption	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Employment terms	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Procurement practices	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Financing environmentally-friendly investments	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Financial education	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Employee volunteerism	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Counteract mobbing	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Charitable and sponsoring activity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Non-financial risk management	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Employee benefits	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Environmental impact related to electricity consumption	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Issues related to the climate and the associated emissions into the air	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Sewage and waste, including hazardous waste	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	■ Environmental impact related to water consumption	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Concise information in the report or reference to other documents.							

Employees and managers responsible for various reporting areas were involved in the reporting process. A consulting company supported the stage of defining the report's content. This report is not audited externally. The report has been subject to "Materiality Disclosure Service)". It refers to GRI Standards from GRI 102-40 to GRI 102-49 and verifies whether, at the time the report was published, the disclosures were correctly placed both in the GRI Content Index and in the wording of the final report. [GRI 102-56]

2. ACCOUNTING ACT COMPLIANCE TABLE

Obligatory items from the Accounting Act	Group (page)	Bank (page)
Description of the business model	10-11	10-11
Description of the policy concerning combating corruption	35	35
Significant risks adversely affecting the issue of combating corruption.	17	17
Description of the policy on human rights.	19-20	19-20
Significant risks adversely affecting the issue of human rights.	17	17
Description of the policy on social issues.	16,18-19,23-24,26-28,30-36,39	16,18-19,23-24,26-28,30-36,39
Significant risks adversely affecting social issues.	17	17
Description of the policy on employee issues.	47-59	47-59
Significant risks adversely affecting employee issues.	17,48	17,48
Description of the policy on environmental issues.	69	69
Significant risks adversely affecting environmental issues.	17	17

3. GRI STANDARDS CONTENT INDEX [GRI 102-55]



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

THIS REPORT HAS BEEN PREPARED ACCORDING TO GRI STANDARDS: CORE OPTION. THE SECTOR ADDITION FOR FINANCIAL SERVICES HAS ALSO BEEN USED.

GRI Standard	Title of the GRI Standard	Ratio no.	Title of the ratio	Page number
GRI 101	Foundation 2016		[GRI 101 does not include any disclosures]	
General Standard Disclosures				
GRI 102	General Standard Disclosures 2016	102-1	Name of the organization	6
GRI 102	General Standard Disclosures 2016	102-2	Activities, brands, products and services	6
GRI 102	General Standard Disclosures 2016	102-3	Location of organization's headquarters	6
GRI 102	General Standard Disclosures 2016	102-4	Location of the Organization's offices	6
GRI 102	General Standard Disclosures 2016	102-5	Ownership and legal form	7
GRI 102	General Standard Disclosures 2016	102-6	Markets served	7
GRI 102	General Standard Disclosures 2016	102-7	Scale of the reporting organization	7
GRI 102	General Standard Disclosures 2016	102-8	Information on employees	42-43
GRI 102	General Standard Disclosures 2016	102-9	Supply chain	39

GRI 102	General Standard Disclosures 2016	102-10	Significant changes in the organization and its supply chain	40,79
GRI 102	General Standard Disclosures 2016	102-11	Precautionary Principle or approach	17,30,32,48,58,69
GRI 102	General Standard Disclosures 2016	102-12	External initiatives supported by the organization	16, 26
GRI 102	General Standard Disclosures 2016	102-13	Membership in Organizations	37
GRI 102	General Standard Disclosures 2016	102-14	Statement of the senior management	5
GRI 102	General Standard Disclosures 2016	102-15	Description of key impacts, risks and opportunities	17
GRI 102	General Standard Disclosures 2016	102-16	Values, principles, standards and norms of behavior	18
GRI 102	General Standard Disclosures 2016	102-17	Mechanisms for advice and concerns about ethics	19,33,37
GRI 102	General Standard Disclosures 2016	102-18	Governance structure	41
GRI 102	General Standard Disclosures 2016	102-25	Conflict of Interests	35, 48
GRI 102	General Standard Disclosures 2016	102-26	Senior management's role in setting goals, values and strategy	16
GRI 102	General Standard Disclosures 2016	102-30	Effectiveness of risk management processes	16-17,30,32,47,48,59,69
GRI 102	General Standard Disclosures 2016	102-31	Review of economic, environmental, and social topics	16
GRI 102	General Standard Disclosures 2016	102-40	List of the Stakeholder groups	61
GRI 102	General Standard Disclosures 2016	102-41	Collective bargaining agreements	50
GRI 102	General Standard Disclosures 2016	102-42	Identification and selection of Stakeholders	60

GRI 102	General Standard Disclosures 2016	102-43	Approach to engaging Stakeholders	61
GRI 102	General Standard Disclosures 2016	102-44	Key topics and concerns raised by Stakeholders	61
GRI 102	General Standard Disclosures 2016	102-45	Entities included in the consolidated financial statements	79
GRI 102	General Standard Disclosures 2016	102-46	Defining the report's content and boundaries	79
GRI 102	General Standard Disclosures 2016	102-47	List of material topics	80
GRI 102	General Standard Disclosures 2016	102-48	Restatements of information	79
GRI 102	General Standard Disclosures 2016	102-49	Changes in reporting	79
GRI 102	General Standard Disclosures 2016	102-50	Reporting period	79
GRI 102	General Standard Disclosures	102-51	Date of the most recent report	79
GRI 102	General Standard Disclosures 2016	102-52	Reporting cycle	79
GRI 102	General Standard Disclosures 2016	102-53	Contact point for questions regarding the report	89
GRI 102	General Standard Disclosures 2016	102-54	Claims of reporting in accordance with the GRI Standards	79
GRI 102	General Standard Disclosures 2016	102-55	GRI Content Index	82
GRI 102	General Standard Disclosures 2016	102-56	External assurance	81
Approach to management				

GRI 103	Approach to management 2016	103-1	Explanation of the material topic and its boundary	16 (economic performance), 18 (ethics), 21,26 (customer service), 30 (ethical marketing and sales), 35 (anti-corruption), 36 (safety of funds), 39 (procurement practices), 47,58 (conditions of employment), 69 (environmental impact), 79 (boundaries of reporting)
GRI 103	Approach to management 2016	103-2	The management approach and its components	8,16 (economic performance), 17 (risk), 18 (ethics), 21,26 (customer service), 30-31 (ethical marketing and sales), 33 (compliance), 35 (anti-corruption), 36 (safety of funds), 39 (procurement practices), 47,58 (conditions of employment), 69 (environmental impact)
GRI 103	Approach to management 2016	103-3	Evaluation of the approach to management	16 (economic performance), 17 (risk), 18 (ethics), 21,26 (customer service), 30 (ethical marketing and sales), 33 (compliance), 35 (anti-corruption), 36 (safety of funds), 39 (procurement practices), 47,58 (conditions of employment), 69 (environmental impact)
Specific information on a given subject				
GRI 201	Business Performance 2016	201-1	Direct economic value generated and distributed	9
GRI 202	Market presence 2016	202-2	Proportion of senior management hired from the local community	45
GRI 203	Indirect economic impact 2016	203-1	Investments in infrastructure and supported services	25
GRI 204	Procurement practices 2016	204-1	Proportion of spending on local suppliers	40
GRI 205	Combating corruption 2016	205-1	Operations assessed for risks related to corruption	35

GRI 205	Combating corruption 2016	205-2	Communication and training on anti-corruption procedures and policies	35
GRI 205	Combating corruption 2016	205-3	Confirmed incidents of corruption and actions taken	35
GRI 206	Anti-competitive behavior 2016	206-1	Proceedings concerning anti-competitive behavior, antitrust and monopolistic practices	33
GRI 301	Materials 2016	301-1	Materials used by weight and volume	69
GRI 302	Energy 2016	302-1	Consumption of energy in the organization	71-72
GRI 302	Energy 2016	302-4	Reduction of energy consumption	77
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GRI 305	Emissions 2016	305-1	Direct greenhouse gas emissions	73
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GRI 307	Environmental compliance 2016	307-1	Non-compliance with environmental laws and regulations	69
GRI 401	Headcount 2016	401-1	New employee hires and employee turnover	44
GRI 401	Headcount 2016	401-2	Benefits offered to employees	56
GRI 401	Headcount 2016	401-3	Parental leave	55
GRI 403	Occupational Health and Safety 2016	403-2	Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities	59
GRI 404	Training and education 2016	404-1	Average hours of training per year per employee	54
GRI 404	Training and education 2016	404-2	Programs for upgrading employee skills	52

GRI 404	Training and education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	51
GRI 405	Diversity and equal opportunities 2016	405-1	Diversity of governance bodies and employees	42,45-46,49
GRI 405	Diversity and equal opportunities 2016	405-2	Ratio of basic salary and remuneration of women to men	50
GRI 406	Counteracting Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	49
GRI 412	Human rights - evaluation 2016	412-2	Employee training on human rights policies or procedures	19
GRI 417	Marketing and product labeling 2016	417-1	Requirements for product and service information and labeling	30-31
GRI 417	Marketing and product labeling 2016	417-3	Incidents of non-compliance concerning marketing communications	30
GRI 418	Client privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	29
GRI 419	Compliance concerning socio-economic issues 2016	419-1	Non-compliance with laws and regulations in the social and economic area	33

SPECIFIC STANDARD DISCLOSURES FOR THE SECTOR

Disclosures on Management Approach (DMA) and indicators	Page	Omissions	External verification	Description
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SECTOR-SPECIFIC ASPECT: PRODUCT PORTFOLIO

G4-DMA	24, 26		none	
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G4-FS1	24, 39	none	Policies with specific environmental and social components applied to business lines.
G4-FS5	24, 39	none	Interactions with clients/ investees/business partners regarding environmental and social risks and opportunities.
G4-FS7	25	none	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.
G4-FS8	25	none	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.
SECTOR-SPECIFIC ASPECT: AUDIT			
G4-DMA	37	none	
G4-FS9	37	none	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.
SECTOR-SPECIFIC ASPECT: CLOCAL COMMUNITIES			
G4-DMA	26	none	
G4-FS13	26	none	Access points in low-populated or economically disadvantaged areas.
G4-FS14	26	none	Initiatives to improve access to financial services for disadvantaged people
G4-FS15	31	none	Policies for the fair design and sale of financial products and services.
G4-FS16	64	none	Initiatives to enhance financial literacy by type of beneficiary.

4. CONTACT DATA

Thank you for reading our report. Please send comments on this subject to:

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CSR Specialist

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[GRI 102-53]

SELECTED AWARDS AND DISTINCTIONS

Eleventh time in the Respect Index

Bank Millennium joined the Respect Index for the eleventh time: the index of socially responsible companies listed on the Warsaw Stock Exchange.

31 companies joined the Respect Index and 7 of them are banks. The composition index is selected from among the largest public companies in the WIG20, mWIG40 and sWIG80 indices that operate in accordance with the highest management standards of corporate governance, information governance and investor relations and it also takes into account environmental, social and employee factors.

Bank Millennium in Top 10 most responsible firms in Poland

Bank Millennium was ranked 7th in the general classification and 4th in the industry classification of the 2018 Ranking of Responsible Firms. It is a list of the largest companies in Poland assessed with an eye to the quality with which they manage Corporate Social Responsibility (CSR). The Bank received the most points in the categories of “Doing Business Responsibly” and “Sustainable Development Policy”.

Fourth Silver CSR Leaf

Bank Millennium received the Silver CSR Leaf for the fourth time. This recognition is awarded to firms that apply the highest corporate social responsibility standards in their daily operation.

In the ranking prepared by the Polityka weekly and the consulting firm Deloitte, the Silver CSR Leaf was awarded to the firms that declare to consider all the guidelines of the ISO 26000 international corporate social responsibility standard in their daily activity. This standard is tracking seven areas: organizational governance, human rights, labor practices, environment, honest operational practices, consumer issues and social engagement. These companies rely on the best local and global practices and apply international standards. They also have in place an ethics management system and highest personnel management standards. They inform their stakeholders on an ongoing basis about the results of their activity.

Distinguished CSR activities in the Responsible Business Forum report

Nine best practices of Bank Millennium addressed to clients, employees and local communities were described in the report entitled “Responsible Business in Poland in 2017” published by the Responsible Business Forum. The distinguished activities included among others programs of: financial education for children (Financial ABCs), employee volunteerism (Millantrop), support for parent employees (Yes to Parenting) and increased availability of financial services to the disabled.

Website Without Barriers

Bank Millennium won the Website Without Barriers competition organized by the Visible Foundation (*Fundacja Widzialni*). The award was granted for adapting the website to the needs of the blind and visually impaired.

Sound Employer of the Year

Bank Millennium earned the title of the Sound Employer 2018 in the national category. Bank Millennium was rated highly among other things on account of its stable employment conditions, extensive social benefit package, investments in HR development, the Yes to Parenting program, the IMPACT employee rewards program and CSR activity.

Bank Millennium on the podium in all categories of the Newsweek’s Friendly Bank ranking

Bank Millennium was again among the winners in all four categories of the Newsweek’s Friendly Bank ranking. It took 1st place in the “Mobile Banking” category, 2nd place for “Every One’s Bank” and 3rd place in “Internet Banking” and “Mortgage Banking” categories.

Leader of the satisfaction, loyalty and client recommendations ranking

For the second year running, Bank Millennium was the leader in the ranking of banks with highest ratings from clients, prepared on the basis of the research done by ARC Rynek i Opinia and entitled Monitor of the satisfaction of banks’ retail clients. The Bank took first place in the main category entitled Satisfaction, Evaluation of Connection Points and Assessment of Fees and Commissions. According to the opinion of clients, the Bank offers the best branch service as well as mobile and internet banking.

Banking Star in the ranking published by Dziennik Gazeta Prawna

Bank Millennium was among the banks distinguished in the newest edition of the “Banking Stars” contest organized by Dziennik Gazeta Prawna and PwC. The Bank was ranked second in the “Client Relations” category and third in the “Innovativeness” category.

Service Quality Star

Bank Millennium also received a Service Quality Star, a recognition awarded by clients to the most friendly companies in Poland.

Laureate of the Efma-Accenture Innovation in Insurance Awards 2018 competition

Bank Millennium won the Efma-Accenture Innovation in Insurance Awards 2018 competition in the “Claims Management” category. The award was given for the “Travel Assistance” solution in travel insurance available in the Bank’s mobile application. The competition rewards the most innovative insurance solutions globally.

Laureate of The Innovators 2018 contest

Bank Millennium was among the winners of the sixth edition of The Innovators annual awards program organized by the Global Finance magazine. The program recognizes financial institutions from all over the world that set new trends and design the most innovative solutions. Bank Millennium was awarded for the “Travel Assistance” widget - a button for quick contact with the insurer, available for travel insurance in the Bank’s mobile app.

Transparent Company of the Year 2017

Bank Millennium was also a laureate of the Transparent Company of the Year 2017 ranking. It was among 7 most transparent companies in the mWIG 40 index. The listing recognizes the companies that communicate with the market in a transparent manner.

Bank Millennium named digital leader in a Deloitte survey

In the Deloitte “EMEA Digital Banking Maturity 2018” report evaluating digital maturity of financial institutions in 38 countries of Europe and Middle East, Bank Millennium was ranked as one of the digital market leaders. It was recognized as an innovative digitally-mature bank, ready to face the challenges of the open banking market and even now offering numerous non-banking services.

Customer Experience Leader according to a study commissioned by KPMG

Bank Millennium was recognized as the best in the financial sector and among the TOP 10 best Polish brands in Customer Experience according to the consumer research commissioned for and published by KPMG.

Golden Banker - 1st place for Konto 360° and Safe Bank title

Bank Millennium was ushered onto the podium four times in this year’s Golden Banker plebiscite. For the second year running, Konto 360° was rated best on the market winning the “Personal account” category. Also, for the third time running, the Bank won the title of the safest bank in Poland. The Top 3 tier on the market was also achieved by the Impresja credit card and the “Financial ABCs” financial education program for children.

Bank Millennium Management Board first in Parkiet’s ranking

Leading Polish analysts assessed the management boards of the ten largest Polish banks in the Parkiet newspaper. The management of Bank Millennium took the first place. This ranking gives consideration to strategy, pace of growth and financial performance. Analysts also appreciated the transparency and quality of investor relations.

SIGNED BY:

Date	First and last name	Position/Function	Signature
22.02.2019	Joao Bras Jorge	Chairman of the Management Board	signed with a qualified electronic signature
22.02.2019	Fernando Bicho	Vice-Chairman of the Management Board	signed with a qualified electronic signature
22.02.2019	Wojciech Haase	Management Board Member	signed with a qualified electronic signature
22.02.2019	Andrzej Gliński	Management Board Member	signed with a qualified electronic signature
22.02.2019	Wojciech Rybak	Management Board Member	signed with a qualified electronic signature
22.02.2019	António Ferreira Pinto Júnior	Management Board Member	signed with a qualified electronic signature
22.02.2019	Jarosław Hermann	Management Board Member	signed with a qualified electronic signature