

Owner	HR Department
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Version	7

EMPLOYEE REMUNERATION POLICY IN BANK MILLENNIUM GROUP

I. OBJECTIVE AND SCOPE OF THE REMUNERATION POLICY

1. Remuneration Policy (hereinafter referred to as „Policy”) is one of the tools for implementation of the Human Resources strategy in Bank Millennium Group (hereinafter referred to as „Group”), in particular as regards acquisition and retention of stable, highly qualified and innovative staff. All individual remuneration system solutions are developed pursuant to the principles defined in the Policy.
2. Remuneration principles in the Group should be formulated in such a manner that:
 - 2.1. they would not create incentives for actions and decisions threatening the long-term good of the Bank, going beyond the risk profile approved by the Supervisory Board and acceptable in the Group,
 - 2.2. that they would not lead to actions in breach of the best interest of the Group's Clients and investors,
 - 2.3. they would not motivate to introduce risks for sustainable development into the activities of the Millennium Group's companies,
 - 2.4. they were gender neutral.
3. The Policy is to provide formal frameworks for shaping remuneration practice for all the employees of the Group in terms of corporate governance, security of the institution as well as appropriateness of remunerations in relation to standing, scale of operations and development potential of the Group.
4. Bank Millennium Group develops its remuneration principles in a manner that supports fulfilment of conditions for dignity and prevention of discrimination. The issues related to gender neutrality of remuneration principles and the objectives set in this respect are included in “the Policy of Diversity in Bank Millennium Group”.
5. The Policy was developed with due regard for the legal environment related to the operation of the institution on the European Union's financial market.
6. The Policy supports correct and effective risk management, execution of the risk management strategy and limitation of the conflict of interest. The process of risk management means current or strategic management actions which lead to active and informed change in the risk profile in order to increase the market value of the Bank. These actions cannot lead to acceptance of risk at the level that could threaten financial stability of the Bank as a whole and each of the companies of the Group separately.
7. Entities which are involved in shaping policy should closely cooperate with each other and ensure that the policy complies with the principles of proper risk management and is conducive to such management.

II. FRAMEWORKS OF THE POLICY

1. The Policy objectives shall be achieved in particular through:
 - 1.1. adoption of such a structure of the fixed and variable remuneration components, in which fixed remuneration constitutes the main source of income of the employees,
 - 1.2. development of bonus systems based on performance evaluation, taking into account the risk and organisation management strategies in place,
 - 1.3. introduction of such form and schedule of payment of variable remuneration components so that the value of the paid components is both motivational and adequate to the risk linked to the actual business results,
 - 1.4. identification of the employees with material impact on the risk profile of the Group and adjustment of the remuneration solutions to the risk taken,
 - 1.5. development of the remuneration systems which will not cause conflict of interests.

III. EMPLOYEE REMUNERATION COMPONENTS IN BANK MILLENNIUM GROUP

1. Remuneration in Bank Millennium Group is recognised as all forms of financial or non-financial benefits or payments provided directly and indirectly to the employee by the Group.
2. In Bank Millennium Group the main source of income of the employees is basic remuneration under employment agreement. Variable remuneration is an additional incentive component of the total remuneration.
3. Total remuneration components:
 - 3.1. Fixed components:
 - 3.1.1. basic remuneration under the employment agreement,
 - 3.1.2. additional remunerations and benefits under annexes and memoranda to the employment agreement booked in income from employment relation,
 - 3.1.3. allowances under the labour law regulations,
 - 3.1.4. fixed remunerations for work in Boards and Committees (members of the Supervisory Board).
 - 3.2. Variable components:
 - 3.2.1. variable remuneration linked to performance and assessment of work attitude,
 - 3.2.2. prizes and special benefits,
 - 3.2.3. incentive programmes.
4. Specific rules of remunerating employees identified as having material impact on risk profile are described in separate document “Remuneration Policy with respect to Risk Takers in the Bank Millennium S.A. Group”.
5. Members of the Supervisory Board receive exclusively fixed remuneration for work in Boards and Committees.
6. The maximum ratio of the average total gross remuneration of management board members in an annual period to the average total gross remuneration of other bank employees in an annual period is set at no more than 40.
7. Employees of the Group may receive non-salary remuneration components granted on the grounds of detailed internal regulations.
8. The Group does not conduct its own pension programmes.
9. Employees of the Group may receive a one-off severance pay paid in connection with employee’s retirement in amount higher than the level defined in the Labour Code.
10. The Group does not envisage other severance pays than retirement severance.

IV. SHAPING BASE REMUNERATION OF EMPLOYEES

1. Basic remuneration is the base component in the category of fixed remunerations.
2. Employee basic remuneration is determined taking into account:
 - 2.1. scope of responsibility,
 - 2.2. qualifications, adequate to the role in the organisation,
 - 2.3. complexity and type of tasks,
 - 2.4. impact on the risk profile of the institution,
 - 2.5. information on market levels of remunerations at similar positions in institutions of similar profile and scale of operations.
3. Basic remunerations are shaped in relation to the positions and organisational functions:
 - 3.1. there are recommended remuneration levels defined for positions and functions,
 - 3.2. these levels are periodically verified - no less frequently than once every 3 years. They constitute a benchmark for determination of basic remuneration for employee in the recruitment and promotion processes,
 - 3.3. Shaping basic remuneration cannot interfere with the objectivism of task performance by employees, especially as regards positions in audit, compliance, legal services and HR positions.
4. On the grounds of assessment of the financial standing of the Group and its business environment, the Management Board of the Bank may take periodic decisions about assignment of a pool of funds to changes in basic employee remunerations.

V. SHAPING VARIABLE REMUNERATION OF EMPLOYEES

1. The objective of variable remuneration is to motivate employees to fulfil their business and organisational plans.
2. Mechanisms underlying the employee incentive systems should be developed with the best interest of the Clients of Bank Millennium Group in focus.
3. In Bank Millennium Group variable remuneration is in particular developed within the varied bonus systems. It is recommended that:
 - 3.1. incentive mechanisms should be linked to the specificity of work in the unit,
 - 3.2. bonus systems should be based on formal evaluation of work performance,
 - 3.3. formal evaluation system should take into account both qualitative and quantitative criteria,
 - 3.4. where it is required by the level of responsibility, variable remuneration of employee should be shaped on the grounds of evaluation of individual financial and non-financial results,
 - 3.5. in units, where it is justified, the quantitative criteria should include the level of results of both the Group, unit and the employee,
 - 3.6. development of variable remuneration and performance evaluation should be varied between operational organisational units, support units and employees performing control functions.
4. Recommended value of the variable component in remuneration of the employees with impact on the risk profile of the Group should always, with subject to exceptions described in "Remuneration Policy with respect to Risk Takers in the Bank Millennium S.A. Group" take into account the actual level of consolidated financial results of the Group as a whole - in the 3-year period under evaluation.
5. It is recommended to pay variable remuneration in cash.

- 5.1. Variable remuneration of the employees with impact on the risk profile of the Group, in the part required by law may be paid in form of Bank's shares , other financial instruments linked to the value of the Bank or in the case of employees employed in subsidiaries - instruments depending on the value of the company, if separate supervisory regulations require it.
6. Evaluation of work performance which is the basis for recommendation of the value of variable component should be conducted in a way that would prevent rewarding bad results, in particular in a situation when the entire company should record poor results.
7. Incentive mechanisms should be designed to avoid stimulating (encouraging) employees to take risk for sustainable development factors. At the same time, incentive mechanisms should not allow, either directly or indirectly, the adoption of goals that contradict the "Sustainability Policy of Bank Millennium S.A.", in particular, business results achieved as a result of introducing risks for sustainable development to operations cannot be rewarded.
8. Incentive mechanisms for the employees of sales units and other units involved in the processes related to Customer service should be developed in a way that they would not cause conflict of interest or produce incentives, which may conduce the employees of the Group to favour their own interest or company's interest with potential consequential damage for any Client of the Group.
9. Bonus systems for the audit, compliance and unit responsible for risk management employees cannot contain incentive mechanisms linked to financial results of the Group, in particular, the results achieved in the controlled areas of business.
10. Development of a separate bonus system should be justified through preparation of reliable indices describing work performance as well as incentive mechanisms proper for a given unit.
11. Decision on changes in the existing bonus system or establishment of a new bonus system is taken by Member of the Management Board managing a given area, in agreement with Chairman of the Management Board. Each time HR Department, Compliance Department and Legal Department opines changes and shape of the new bonus systems.
12. Incentive mechanisms applied in the bonus systems should not:
 - 12.1. be excessively complicated and difficult for clear communication,
 - 12.2. create incentives conducive to actions and decisions going beyond the risk profile acceptable in the institution,
 - 12.3. cause risk of generating conflicts of interests.
13. The variable remuneration component paid to the employee under the bonus systems per year should not exceed 100% of the total fixed remuneration of each employee.
 - 13.1. In justified cases not risk-bearing, the Bank's Management Board, in consultation with the Supervisory Board, may decide to increase the maximum ratio of variables to fixed components of remuneration - this exception in particular does not apply to persons whose professional activity has a significant impact on the Group's risk profile and employees related to the sale of investment instruments and products.
 - 13.2. Decision to increase the maximum ratio between the variable and fixed components of remuneration, however not more than up to 200%, for employees taking risk requires consent of the General Shareholders Meeting.
14. Variable remuneration may be limited, suspended or not paid if:
 - 14.1. employee has not fulfilled his tasks,
 - 14.2. employee took part or was responsible for actions resulting in significant losses of the Group,
 - 14.3. employee does not fulfil the standards concerning secure and prudent management,
 - 14.4. re-evaluation of the effects of the actions of the employee receiving variable remuneration with deferred payment has been deteriorated,
 - 14.5. employee has breached upon the adopted internal procedures,
 - 14.6. employee has breached upon the adopted principles of operating in the best interest of the Group's Clients.

15. Budgets allocated to variable remunerations of individual groups of employees are correlated with assessment of the financial standing of the Group as a whole, assessment of capital and liquidity ratios. Payment of variable remuneration cannot undermine the Bank's capacity to increase its capital base.

VI. RISK TAKERS and IDENTIFICATION PROCESS

1. The process of identifying employees taking risk is formulated in a separate document "Instructions for performing identification of employees whose professional activities have material impact on risk profile ("Risk Takers") in Bank Millennium S.A. Capital Group" accepted and verified by the Bank's Management Board.

VII. IMPLEMENTATION OF THE REMUNERATION POLICY

1. Responsibility for execution of the Policy rests with the Management Board, supported by the HR Department and managers responsible for creation of work conditions for a given employee group.
2. When implementing the Remuneration Policy, Heads of the units should counter employee discrimination in the area of remuneration. It means offering of similar level of remuneration for execution of tasks of similar value for the organisation.
3. Management of the remuneration budgets in the Group takes into account cost effectiveness and is related to the level of the Return on the Capital Employed.
4. Business results considered in performance assessment and determination of performance-based variable remuneration components are measured on the grounds of fulfilment ratio of the Group's business objectives accepted by the Supervisory Board.
5. Performance assessment and determination of the variable remuneration components takes into account also impact of the business decisions on the level of use of the risk appetite established by the Supervisory Board. The level of utilisation of risk appetite is measured with a set of risk measures monitoring material risks to which the Group is exposed in pursuit of its business objectives.

VIII. MANAGEMENT OF REMUNERATION POLICY IN BANK MILLENNIUM GROUP

1. General Shareholders Meeting:
 - 1.1. receives an annual report on the assessment of the functioning the remuneration policy in the Group and assesses whether the approved Policy supports development and security of the Bank,
 - 1.2. establishes remuneration of Members of the Supervisory Board.
2. The Supervisory Board of the Bank:
 - 2.1. is responsible for approval and maintenance of the Policy,
 - 2.2. once a year, prepares and presents to the General Shareholders Meeting an operational assessment report for the remuneration policy in the Group with special focus on the risk-takers remuneration policy.
 - 2.3. approves remuneration, including bonuses, of the head of the internal audit unit, head of risk unit and head of the compliance unit.
3. Personnel Committee of the Supervisory Board:
 - 3.1. issues opinion on execution of the remuneration policy in the Group,

- 3.2. establishes and approves remuneration components for Members of the Management Board of Bank Millennium,
- 3.3. defines, for every evaluation period, detailed criteria and terms and conditions for assigning results-linked variable remuneration for every Member of the Management Board,
- 3.4. verifies fulfilment of the criteria and conditions for variable remuneration components of Members of the Management Board before payment of all or part of this remuneration,
- 3.5. monitors and issues opinion about the amount of the remuneration for persons in key management positions in the Group related to risk management and compliance of the bank's operations with the law and internal regulations,
- 3.6. issues recommendations, on the grounds of reports of the Management Board of the Bank on the payments made, as regards the value and components of remuneration, aimed at prudent and stable management of risk, capital and liquidity, and long-term good of the Group.
- 3.7. presents in the report to the Supervisory Board conclusions on operation of the remuneration policy.
4. The Management Board of the Bank:
 - 4.1. Develops, implements and ensures operation of the Remuneration Policy adequate to the management system and risk strategy, and internal control system applied in the Group.
 - 4.2. Establishes and approves detailed evaluation principles and bonus system for the risk takers with material impact on the Group's risk profile.
 - 4.3. Establishes and approves assessment approach and bonus system for Group's Key Management. The Management Board may also delegate the above competencies to the Chairman of the Management Board.
5. Personnel Committee of the Management Board of the Bank.
 - 5.1. Establishes and approves remuneration components of the employees - members of the Key Management,
 - 5.2. Verifies fulfilment of the criteria and conditions for variable remuneration components in case of members of the Key Management before payment of all or part of this remuneration.
 - 5.3. In the recruitment processes, Personnel Committee may delegate decisions on basic remuneration for the persons who perform the most important functions to Members of the Management Board of the Bank.
6. Member of the Management Board who supervises a given unit, in agreement with Chairman of the Management Board, based on the recommendation of the head of the unit, establishes and approves the remuneration components for the Group's employees, excluding the Key Management.
7. HR Department is responsible for implementation of the Policy principles into the bonus systems and employee evaluation systems. The Department handles the evaluation process and pays variable remuneration components according to the Policy.
8. Internal audit unit conducts a central compliance review of the remuneration practices in terms of the regulations and this Policy.

IX. FINAL PROVISIONS

1. This Policy has been approved by the Supervisory Board and is subject to reviews conducted at least once a year. When performing reviews of the policy, the Supervisory Board takes into account, inter alia, potential risk related to business operations and conflicts of interest, and defines whether the adopted Remuneration Policy supports development and security of the Group's operations.
2. In case of detecting new conflicts of interest or practices that may be detrimental to the interests of the Group's Clients in short-, medium- and long-term perspective, the Supervisory Board may perform an ad-hoc review and introduce changes outside the annual Policy review.
3. Decisions taken within implementation of the Remuneration Policy are reflected in the internal regulations and in employment agreements with the Group's employees.