

POLICY OF REMUNERATION

Remuneration Policy in Bank Millennium S.A.

The Bank Millennium Group functions the **"Employee Remuneration Policy in Bank Millennium Group"**, which formulates the assumptions used to shape fixed and variable remuneration components for all employees of the Group.

According to the policy, in the Bank Millennium the main source of employees' income is the base salary resulting from the employment contract. Variable remuneration is an additional, motivational element of total remuneration.

The employee's basic salary is shaped in relation to the tasks performed in a given organizational unit, the scope of responsibility, qualifications, impact on the company's risk profile and based on the analysis of payroll information presented in payroll research on the financial market.

The Bank regularly reviews salaries and positions. Based on the assessment of the Group's financial condition and business environment, the Bank's Management Board may decide to allocate a pool of funds to change the base salary of employees. Salary levels are verified taking into account periodic assessment of work results, skills and are compared with market remuneration benchmarks information.

Variable remuneration is shaped within various bonus systems, which aim to motivate employees to implement business and organizational plans. Bonus systems and periodic assessment criteria in the Bank Millennium Group are adapted to the specific nature of employees' activities in individual areas of the Group. The amount of bonus budgets allocated for the payment of bonuses is determined depending on the degree of implementation of the total net profit plan of the Bank Millennium Group and the implementation of the objectives of business lines. It is assumed that individual bonuses may not exceed 100% of the total annual base salary. Bonuses are awarded within the bonus pool based on an assessment of the work and the degree of commitment to achieving the goals set for employees.

Within the framework of the "Employee Remuneration Policy in Bank Millennium Group" there also **"Remuneration Policy with Respect to Risk Takers in the Bank Millennium S.A. Group"** (Risk Takers Policy) and the **Incentive Scheme Regulations** operate at the Bank. It defines procedure and conditions of the Incentive Scheme, which specifies the detailed conditions for granting, offering, retaining and issuing own shares to employees who have a significant impact on the risk profile of the Bank Millennium S.A. Group.

The Ordinary General Meeting of Shareholders on March 24, 2021 adopted the **"Remuneration Policy with Regard to Members of the Management Boards and Supervisory Boards of Bank Millennium S.A."**, which summarises and specifies the existing solutions in the field of remuneration of members of the Bank's governing bodies.

Decision making processes with regard to remuneration policy

The "Employee remuneration policy in the Bank Millennium Group" was developed on the ground of assumptions regarding the remuneration of employees in the Bank Millennium Group referring to management system and internal control rules employed in the Bank.

The rules applicable in 2021 for Risk Takers were prepared in 2019 as part of cooperation with an external consultant, the Gessel law firm, which supported the Bank in the preparation of the process aimed at awarding Bank Millennium shares under variable remuneration for Risk Takers. The project was developed by representatives of the Human Resources, Legal and Compliance Departments and supervised directly by the President of the Bank's Management Board.

The draft Regulations of the incentive program and modified rules for granting variable remuneration presented in Risk Takers Policy were consulted with the members of the Personnel Committee of the Supervisory Board. Proposal of documents were recommended by this body for submission to the Supervisory Board. By the decision of the Supervisory Board of November 29th, 2019 (resolution no 25/2019 and no 26/2019), the Bank implemented modified rules under which 50% of the variable remuneration for Risk Takers shall be paid in the Bank's own shares listed on the Warsaw Stock Exchange.

In connection with the planned changes in the legal environment, the Supervisory Board, by Resolution No. 15/2020 of June 3, introduced changes to the Risk Takers Policy aimed at adapting to the requirements of Directive 2019/878/EU (CRD V). They concerned, in particular, the extension of the deferral period for a portion of Risk Takers' variable remuneration and the introduction of the possibility of waiving the

application of the deferral and converting the variable remuneration to a financial instrument with regard to remuneration below the level approved by the Supervisory Board.

The Supervisory Board amended the "Employee Remuneration Policy in Bank Millennium Group" by Resolution No. 58/2021 of December 3, 2021. Amendments concerned, in particular, the introduction of the maximum ratio of the average total gross remuneration of the Management Board members to the average total gross remuneration of other employees of the Bank and the harmonization of the date of the process of identifying persons having an impact on the risk profile for the entire BCP Group. The principle of gender-neutral remuneration was also highlighted as well as the assumption that ESG policies are respected in remuneration design.

Resolution No. 59/2021 of 3 December 2021 introduced changes to the Risk Takers Policy concerning the determination of the bonus pool for Risk Takers I and adjusting the level of the variable remuneration below which the rules for deferral and conversion into a financial instrument may not be applied to the amount indicated in the Banking Act.

Supervision over the remuneration policy in the Bank Millennium Group is performed by the Personnel Committee of the Supervisory Board (Committee).

The composition of the Committee established at the meeting of the Supervisory Board on March 26, 2018 until March 24, 2021 did not change and was as follows:

- Andrzej Koźmiński - Chairman
- Nuno Manuel da Silva Amado
- Miguel de Campos Pereira de Bragança
- Bogusław Kott

On March 24, 2021, the General Meeting of Shareholders elected the new Supervisory Board of Bank Millennium S.A. At its meeting on the same day, the Supervisory Board appointed a Personnel Committee with the following composition:

- Alojzy Nowak - Chairman
- Olga Grygier-Siddons
- Anna Jakubowski
- Miguel de Campos Pereira de Bragança
- Bogusław Kott

The Committee is responsible, inter alia, for determining assessment criteria and assessing the work of the Bank's Management Board Members, including their re-evaluation of work in order to decide on granting entitlement to the deferred part of bonuses from previous years. In addition, in accordance with the scope of its competences, the Personnel Committee of the Supervisory Board, among others: (i) verifies meeting the criteria and conditions justifying obtaining variable remuneration components of Management Board Members before paying all or part of this remuneration, (ii) gives opinions on the remuneration policy, including the amount and type of remuneration components, (iii) gives opinions on the amount of remuneration for persons holding key managerial positions in the Group related to risk management and compliance of the Bank's operations with internal law and regulations.

In 2021, 4 meetings of the Personnel Committee of the Supervisory Board were held (24/01/2021, 19/02/2021, 14/06/2021, 02.12.2021).

The Supervisory Board presented to the General Meeting (GSM), as part of the report of its activities in 2021, the assessment of the functioning of the remuneration policy in the Bank Millennium Group. The General Meeting of Shareholders recognized the policy pursued as supporting to the Bank's development and security.

Information on the remuneration system, including the criteria used for performance measurement and risk adjustment, deferred payment policies and vesting criteria:

Pursuant to the remuneration policy, the total individual variable remuneration of persons having an impact on the risk profile, including members of the Management Board, may not exceed the adopted percentage reference level.

While maintaining these limitations, the bonus pool can be increased as indicators improve. Independently, the Personnel Committee of the Supervisory Board may grant the Members of the Management Board a discretionary bonus related to the qualitative assessment of the tasks performed.

The remuneration of persons making decisions affecting the risk profile is shaped in particular in relation to:

- the scope of tasks carried out in a given organizational unit,
- the scope of responsibility for employees
- on the basis of analysis of payroll information presented in payroll surveys on the labour market at financial institutions.

Bonus pool and results

Variable remuneration components - the annual bonus pool for persons in managerial positions is granted after prior analysis of the Bank's situation in the field of:

- achieved business results: net profit, result on banking operations, cost to income ratio, ROE;
- liquidity: loans / deposits ratio, liquid assets value level;
- capital adequacy ratios in relation to the KNF reference level.

The Bank's results before granting the bonus pool for variable remuneration for persons in managerial positions are analysed in a three-year perspective.

The level of the bonus pool is correlated with the result on banking activities, net profit, cost / income ratio, ROE. Capital adequacy ratios in the period under assessment may not fall below levels accepted by the PFSA. Risk indicators relating to the Bank's liquidity in the period under assessment may not fall below levels accepted by the PFSA.

Payment deferral policy

Risk Takers - Members of the Management Board of Bank Millennium

The award and payment (in case of shares - transfer of rights) of 50% of the variable remuneration value took place after the end of the accounting period and after the publication of the financial results, and the payment of 50% of the variable remuneration is postponed for 5 years, payable in equal annual instalments. Members of the Management Board receive each part of the bonus awarded - those paid out in the year following the settlement period and the deferred ones - half in cash and half in financial instrument (own shares).

Other Risk Takers - Bank Millennium

As a general rule, variable remuneration in excess of the threshold considered relevant by the Personnel Committee of the Management Board is paid 50% in cash and 50% in shares. 40% of the total variable remuneration is deferred for 5 years. The part defined in Bank Millennium's own shares is deferred.

In 2021, by the decision of the Personnel Committee of the Management Board, the 2020 annual bonus for Risk Takers, who are not Management Board Members, was paid in full in cash without applying the deferral mechanism (in accordance with the provisions of the Risk Takers Policy). The rationale for this decision was the level of the bonus lower than the threshold set in the Risk Takers Policy.

Eligibility criteria

The bonus, in the deferred part, is subject to re-assessment in subsequent years and may be reduced or retained on the basis of the decision of the Personnel Committee of the Supervisory Board depending on the financial situation of the Bank resulting from actions taken in the assessed period.

The condition of payment is the non-occurrence of the following events:

- significant correction of results in relation to the assessed period,
- low level of the Bank's results threatening the capital base,
- materialization of the risk of decisions taken in the period under assessment, which negatively affects the bank's risk profile.

Criteria for assessing results at the level of the Bank, organizational units and individual, which are the basis for determining and paying out individual variable remuneration

Members of the Bank's Management Board:

Decisions regarding the award of bonuses to Management Board members are made by the Personnel Committee of the Supervisory Board after analysing the results, taking into account the financial criteria:

- implementation of planned budgets and indicators set for the managed area of activity,
- comparison with competing banks of similar size,
- business market criteria established for a given period;

and non-financial criteria, in particular:

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

Other Risk Takers

The Personnel Committee of the Management Board of Bank Millennium assesses work in a given settlement period based on quantitative criteria for a given area of responsibility (results of business operations of banking lines) and discretionary assessment of individual quality of work, with particular emphasis on the quality of decisions affecting the bank's risk profile in a minimum perspective of three years. Each person identified as taking risk was assigned an individual assessment criterion in the periodic assessment system related to his scope of responsibility regarding the impact on the risk profile of Bank Millennium Group.

Based on the overall evaluation of the results for the period under review, the value of the annual discretionary bonus is determined.

Directors of internal audit, compliance, legal, and risk management are remunerated in terms of variable remuneration for achieving the objectives arising from their functions, and their remuneration is not dependent on financial results executed in the areas controlled by them - both in the Bank and the relevant Subsidiaries.