
Part II - Assessment of Corporate Governance

1. Details of the Corporate Governance Code adopted

Pursuant to article 2 of CMVM Regulation 4/2013 and article 245-A, number 1, subparagraphs o) and p) of the Securities Code, the Bank, for the financial year to which this Corporate Governance Report refers, declares, in compliance with the CMVM Circular: "The supervision of the recommendation regime of the Corporate Governance - new rules and procedures for 2019, from 11/01/2019", which welcomed the Corporate Governance Code of IPCG – Instituto Português de Corporate Governance, with a voluntary adhesion, without a mandatory nature, based on principles and recommendations and also on the comply or explain rule.

The Corporate Governance Code of IPCG is available at the IPCG website at:

<https://cgov.pt/regulamentacao/codigos-de-governo>

Concerning the above mentioned Circular, and in addition to the rest of this Part II, refer to the tables in the "Introduction" to this Report.

Chapter I – General Part

General principle:

Corporate governance should promote and optimise the performance of the companies, as well as the capital market, and foster the confidence of investors, employees and general public in terms of management and supervision quality and in the sustainable development of the companies.

I.1. Company's Investor Relations and Information

Principle:

Companies and, in particular, their directors must treat shareholders and other investors in a fair manner, ensuring, in particular, mechanisms and procedures for the appropriate treatment and disclosure of information.

Recommendations:

I.1.1. The company must create mechanisms able of ensuring, in a strict and appropriate manner, the production, processing and the timely disclosure of information to its corporate bodies, investors and remaining stakeholders, the financial analysts and to the market in general.

See the information presented in items 56, 57 and 58 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

I.2. Diversity in the composition and functioning of the corporate bodies

Principle:

I.2.A. The companies must ensure diversity in the composition of the respective corporate bodies and the adoption of individual merit criteria in the respective appointment processes, which pertain exclusively to the shareholders.

I.2.B. The companies must have straightforward and transparent decision-making structures and ensure maximum efficiency in the functioning of its corporate bodies and commissions.

Recommendations:

I.2.1. The companies must establish criteria and requirements regarding the profile of new members of the corporate bodies which suit the function to perform. Thus, in addition to individual attributes (such as competence, independence, integrity, availability and experience), those profiles must consider diversity requirements, notably gender, which may contribute to improve the performance of the corporate body and to the achievement of a balanced composition.

See the information presented in items 16, 17, 19 and 33 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

I.2.2. The management and supervision bodies and their internal commissions must obey to internal regulations – namely on the exercise of the respective attributions, chairmanship, periodicity of meetings, functioning and duties of their members – and detailed minutes of the respective meetings must be written-up.

See the information presented in items 22, 27 and 34 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

I.2.3. The internal regulations of the management and supervision bodies and of their internal commissions must be fully disclosed on the company's website.

See the information presented in items 22, 34 and 61 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.2.4. The composition, the number of annual meetings of the management and supervision bodies and of its internal commissions must be disclosed through the company's website.

See the information presented in items 21 – Audit Committee and 21 – Executive Committee 23, 27, 35 and 67, of Part I of this Report.

Declaration of Compliance: **COMPLIANT**

I.2.5. The Company's regulations must safeguard the existence and operation of mechanisms for the detection and prevention of irregularities, as well as the adoption of a policy on communication of irregularities (whistleblowing), which guarantees adequate means for its communication and treatment, safeguarding the confidentiality of the given information and the identity of the notifier, whenever requested.

See the information presented in item 49 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.3. Relation between corporate bodies

Principle:

Members of the corporate bodies, above all the Directors, should create the conditions so that, as far as each body's responsibilities are concerned, they can ensure that weighted and efficient measures are taken, and that the various corporate bodies act in a harmonious, articulated way and with adequate information to the exercise of their functions.

Recommendations:

I.3.1. The articles or other equivalent means adopted by the company must establish mechanisms to ensure that, within the limits of applicable legislation, members of the management and supervisory body are allowed to permanently access all information and employees of the company for performance assessment, status and prospects for the development of the company, including, in particular, the minutes, supporting documentation of decisions that were made, call notices and filing meetings of the executive management body, without prejudice of access to any other documents or persons to whom clarifications may be requested.

According to article 18 of the Bank's Articles of Association, Minutes shall always be written up concerning meetings of the company's corporate bodies, signed by all the members that attended and containing, apart from identification data, the resolutions adopted and the votes that were cast. As in this statutory provision, also the Regulations of the different specialised Committees of the Board of Directors, including the Executive Committee, establish the obligation to draw up minutes of all meetings of the committees. The documentation supporting the deliberations and topics addressed at the meetings of each of the committees should be filed together with the minutes of the respective meeting, for a better understanding of the the decisions that were taken.

In accordance with the provisions of the Regulations of the Board of Directors and each of its specialized committees, in the article relating to "Meetings", documents supporting the meetings should be sent to the participating directors at least five days in advance in relation to the date set for each meeting. The Bank keeps available, during the term of office of its members, all the agendas and support material for the meetings, as well as the legislation, internal regulations and other relevant documentation, on an online platform called "Diligent Boards".

The regulations of the Board of Directors and of the other Committees of the Board of Directors are available on the internal portal and at the Bank's website at the following address:

<https://ind.millenniumbcp.pt/en/Institucional/governacao/>

See the information presented in item 22 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.3.2. Each body and committee of the company must ensure, in a timely and adequate manner, the flow of information, from the respective call notices and minutes, necessary for the exercise of the legal and statutory powers of each of the other bodies and committees.

See the information presented in the previous item and in item 22 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.4. Conflicts of interest

Principle:

Existing or potential conflicts of interest between members of corporate bodies or committees and the company, should be prevented. It must be ensured that the member in conflict does not interfere in the decision-making process.

Recommendations:

I.4.1. An obligation should be put on members of corporate bodies and committees to inform, in a timely manner, their respective body or committee of the facts that may constitute or give cause to a conflict between their interests and the company's interest.

The Bank has a Group Code (GR0038) that defines the fundamental principles and processes adopted for the identification and management of conflicts of interest occurring within the Group.

The Group Code mentioned above implements in the Bank and in Group BCP, in particular, the guidelines issued by the European Banking Authority (EBA/GL/2017/11) on internal government, identifies the control process to allow for an effective and prudent management of conflicts of interest at an institutional or personal level, including segregation of functions, information barriers and the specific process of transactions with the so-called "related parties", in order to simultaneously defend and protect the interests of all stakeholders and those of the Bank and of the Group.

The Group Code also formalizes the principles of governance applicable within the scope of the provision of services and investment activities and ancillary services identified respectively in Articles 290 and 291 of the Securities Code and formalizes the principles of governance applicable internally, in the scope of the policy for the management of conflicts of interest.

The Compliance Office is responsible for the development of the approaches and methods that allow for the identification of real or potential conflicts of interest, in compliance with the Conflicts of Interest Policy. The Compliance Office, at least once a year, carries out a global analysis to identify and assess the materiality of situations of conflicts of interest at an institutional level and reports to the Executive Committee and to the Audit Committee its respective findings, identifying the measures necessary to correct the situations therein identified.

As in the case of the Group Code, BCP's Group Code of Conduct also mandatorily indicates that members of the management and supervisory bodies, as well as employees, should avoid any situation likely to give rise to conflicts of interest with their functions so that they will be able to act with complete independence of mind, impartiality and exemption and that the members of the management and supervisory bodies can not intervene in the appraisal and decision-making process on transactions, professional situations of employees and procedures for the procurement of assets and services, in which the risk of conflicts of interest may occur.

The Code of Conduct is available on the Bank's website, on the page with the following address:

<https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/codigo-conduta.pdf>

The Board of Directors in its Regulations has delegated powers on the Audit Committee to decide on work plans for the identification and resolution of conflicts of interest and the detection of potential illegalities and has also delegated powers on the Committee for Corporate Governance, Ethics and Professional Conduct to ensure effective prevention of conflicts of interest.

See the information presented in items 20, 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.4.2. Procedures should be adopted to ensure that the member in conflict does not interfere in the decision-making process, without prejudice to the duty to provide information and clarifications requested by the body, the committee or its members.

The Bank has favoured the interaction between the independence of each member's behaviour and the principle of being independent in the face of conflicts of interest that create obstacles to the ability to perform their duties in an independent and objective way, and for this purpose, the Board of Directors has in its Regulation, consecrated that any member of the Board of Directors who accumulates with his/her position, a management function in an enterprise which carries on a competing activity with that pursued by the Bank, or pursued by an entity belonging to Group BCP or a company in which the Bank holds a significant stake, is prevented from accessing any privileged or sensitive documentation related to the competing company.

The member of the Board of Directors should not participate in the debate or deliberation of any content related to a competing company of the Bank, of the Group or a company in which the Bank holds a significant stake, with which he/she is related.

The Regulations of the Board of Directors is available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/Regimento_Conselho-Administracao.pdf

See the information presented in item 20 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.5 Transactions with related parties

Principle:

Due to the potential risks involved, transactions with related parties must be justified by the interests of the company and carried out under market conditions, subject to principles of transparency and adequate supervision.

Recommendations:

I.5.1. The management body should define, with binding prior opinion of the supervisory body, the type, scope and minimum value, individual or aggregate, of the transactions with the related parties that: (i) require the prior approval of the management body; (ii) and those that, because they are of a higher value, also require a prior favourable opinion from the supervisory body.

The Board of Directors' Regulations establishes the obligation to obtain prior opinion from the Audit Committee related to all credit proposals involving members of the corporate bodies, shareholders holding more than 2% of the Bank's capital and natural or legal persons, related to one or the other. The approval of these transactions is of the exclusive responsibility of the Board of Directors.

The Regulations of the Board of Directors also establish, with respect to the same entities, the conditions that require that contracts to be signed with these entities are also subject to mandatory prior opinion of the Audit Committee, and such contracts must also be submitted for approval by the Board of Directors.

See the information also presented in items 37, 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

I.5.2. The management body should, every six months, report to the supervisory board all the businesses covered by Recommendation I.5.1.

See the information presented in items 89, 90 and 91 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter II – Shareholders and General Meeting

Principles:

II.A. The proper involvement of shareholders in corporate governance is a positive factor of corporate governance, as an instrument for the efficient performance of the company and for achieving the social purpose.

II.B. The company should promote the personal participation of the shareholders in General Meetings, as space of communication of the shareholders with the corporate bodies and committees and of reflection about the company.

II.C. The company should also allow the participation of shareholders in the General Meeting using electronic means, postal ballot and, in particular, electronic vote, unless, because of the associated costs, it becomes disproportionate.

Recommendations:

II.1. The company should not set an excessively large number of shares necessary to give the right to a vote, and should state in the governance report its option whenever it implies a deviation from the principle that each share corresponds to one vote.

See the information presented in item 12 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

II.2. The company should not adopt mechanisms that hinder the adoption of resolutions by their shareholders, in particular establishing a deliberative quorum higher than that established by law.

See the information presented in items 12 and 14 of Part I of the current Report, considering that the explanation put forward is such as to satisfy positively the "comply or explain" principle.

Declaration of Compliance: Non COMPLIANT but explained

II.3. The company must implement adequate resources to exercise the right to use correspondence vote, including by electronic means.

See the information presented in the first part of item 12 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

II.4. The company must implement adequate means for the participation of shareholders in the meeting by telematic means.

The company has not implemented the adequate channels for the shareholders' participation in the meeting by electronic means, since it was considered that, the cost and safety factors versus the shareholders' foreseeable adhesion to this channel, meant that the reasoning was not in favour of the implementation of this type of voting.

It should be noted that the Bank provides its shareholders with a platform for voting by e-mail, and in the last 10 years, the highest number of shareholders who have resorted to this method of voting in a single Assembly was 8. Considering the same period, the conclusion is that the average number of voters per Assembly was less than 3 shareholders.

Although this alternative has not been requested by any shareholder, in the period in question, it is the intention of the bank to consider this proposal in the future, but there is no ongoing activity or an established time frame for such.

The grounds given above are considered enough to comply positively with the "comply or explain" principle.

See the information presented in the first part of item 12 of Part I of the current Report.

Declaration of Compliance: **NON-COMPLIANT , but explained**

II.5. Articles of association of companies which foresee the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that, at least every five years, the alteration or maintenance of this statutory provision will be subject to deliberation by the General Meeting – without requirement of a quorum larger than that legally established – and that, in this deliberation, all the votes cast will count, without the application of this limitation.

See the information presented in items 5 and 13 of Part I of the current Report.

Declaration of Compliance: **NON COMPLIANT**

II.6. Measures should not be adopted if they determine payments or the incurrence of expenses by the company in the event of the transfer of control or change of the composition of the management body, and which might hinder the financial interest in the free transferability of shares and the free appraisal by the shareholders of the performance of Directors.

See the information presented in item 4 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter III – Non-Executive Management and Supervision

Principles:

III.A. The members of corporate bodies with functions of non-executive management and supervision must exercise, in an effective and judicious manner, a supervisory and defiant function in relation to the executive management for the full accomplishment of the social purpose, and this action must be complemented by committees in central areas of corporate governance.

III.B. The composition of the auditing and supervisory body and all non-executive directors should provide the company with a balanced and adequate diversity of skills, knowledge and professional experience.

III.C. The supervisory body should develop a permanent supervision of the company's management, also with a preventive goal, accompanying the activity of the company and, in particular, decisions of paramount importance for the company.

Recommendations

III.1. Without damaging the legal functions of the chairperson of the Board of Directors, if he/she is not independent, the independent directors must appoint amongst them a coordinator (lead independent director) to, namely: (i) act, whenever necessary, as interlocutor with the chairperson of the board of directors and with the remaining directors; (ii) endeavour that they all have the conditions and means necessary for the exercise of their functions; and (iii) coordinate them in the assessment of the performance by the administration body as foreseen in recommendation V.1.1.

The company does not accept the recommendation because the rules of the Board, as well as the characteristics and powers of Independent Directors, namely concerning the functions they perform in the different Board Committees, show that in practice their autonomy is assured.

Independent Directors have never mentioned the need or even identified an advantage in having a coordinator.

The grounds given are considered to be enough to comply positively with the "comply or explain" principle.

Declaration of Compliance:

Non COMPLIANT but explained

III.2. The number of non-executive members of the administrative body as well as the number of members of the supervisory board and the number of members of the Financial Matters Committee should be compatible with the size of the company and the complexity of the inherent risks of its activity, but sufficient to ensure that they can efficiently carry out the tasks entrusted to them.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

III.3. In any case, the number of non-executive directors must exceed that of executive directors.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

III.4. Each company must include a number not less than one-third but always plural, of non-executive directors who meet the requirements of independence. For the purposes of this recommendation, a person is considered independent as long as he/she is not associated with any group of specific interests in the company, or is not in a position susceptible to affect his/her ability to make an impartial analysis or decision, in particular due to:

- i. Having exercised for more than twelve years, consecutive, or not, functions in any corporate body of the company;
- ii. Having been an employee of the company over the last three years or of a company which is in a controlling or group relationship;
- iii. Having, in the last three years, provided services or established a significant business relationship with the company or company with which said company is in a control or group relationship, either directly or as a partner, board member, manager or director of the legal person;
- iv. Receiving remuneration paid by the company or by a company that is in a controlling or group relationship in addition to the remuneration derived from carrying out the tasks as a director;
- v. Living in non-marital cohabitation or being the spouse, relative or relative-in-law in a straight line and until the 3rd degree, inclusively, in the collateral line, of directors of the company, of a legal person holder of a qualifying stake in the company or of natural persons directly or indirectly holding qualifying stakes;
- vi. Being the holder of a qualifying stake or representative of a shareholder with qualifying stakes.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.5. The provisions of paragraph (i) of recommendation III.4 shall not preclude the qualification of a new director as independent if, between the termination of his duties in any company body and his new designation, at least three years have elapsed -off period).

See the information presented in item 18 of Part I of the current Report. and Recommendation III.4.

Declaration of Compliance: **NOT-APPLICABLE**

III.6. Non-executive directors should participate in the definition, by the management body, of the strategy, main policies, corporate structure and decisions that are considered strategic to the company by virtue of their amount or risk, as well as in the assessment of their compliance.

Reference should also be made to the information provided in item 21 - Board of Directors of Part I of the current Report.

The Bank's Articles of Association and the Regulations of the Board of Directors are available on the Bank's website at:

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Documents/estatutos_BCP.pdf

Declaration of Compliance: **COMPLIANT**

III.7. The general and supervisory board should, within the framework of its legal and statutory powers, collaborate with the executive board of directors in defining the strategy, main policies, corporate structure and decisions that should be considered strategic for the company, due to its amount or risk, as well as in the assessment of their compliance.

See the information presented in item 18 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.8. In compliance with the powers conferred upon it by law, the supervisory body should, in particular, monitor, assess and give opinion on the strategic guidelines and risk policy defined by the management body.

According to the Bank's Articles of Association, the Committee for Risk Assessment, follows and monitors the company's risk strategy and appetite and advises the Board of Directors on the strategy and policies regarding risk assumption, management and reduction to which the Bank is or may be subject and the Audit Committee, as the Bank's supervising body, is responsible for overseeing compliance with the law and the bank's articles of association and is responsible in supervising the Bank's management.

See, concerning this matter, the information presented in items 21 - Audit Committee and 37, of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.9. Companies must establish specialized internal committees that are appropriate to their size and complexity, covering, separately or cumulatively, matters of corporate governance, remuneration and performance appraisal, and appointments.

See, concerning this matter, the information presented in items 27 and 29 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.10. The Audit Committee, Supervisory Board and Audit Board should issue statements on the work plans and resources allocated to the internal audit services and to the services which strive to ensure compliance with the regulations applied to the company (compliance services), and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential illegalities.

The structures specifically connected to the Risk Office, Compliance Office and Internal Audit (Audit Division) which is structured in three functional areas and a support unit, with an activity scope that encompasses all relevant aspects of the Bank's activity, are equipped with the technical and human resources suitable to the size of the Bank, as well as to the degree of complexity and magnitude of the risks inherent to the Bank's various activities - business and business support.

These structures, on the other hand, are designed to operate within the scope of an extensive volume of regulation - both external and internal - resulting from legislation aimed at defining the bank's activity within the limits of prudence, security and control defined by regulators and the bank's management body.

Thus, in allocating resources to the areas mentioned, the Bank adopts the principle of proportionality, matching the mobilized resources to the size and granularity of risks and other constraints of its activities, in a perspective of effectiveness, business sustainability and scrupulous compliance with the established regulation.

The number of employees whose functions are carried out in accordance with the highest standards of independence, objectivity, impartiality, integrity and professional expertise, in each of the 3 areas specifically involved in the functions analysed here, on 31/12/2018 was as follows :

- Risk Office: 49
- Compliance Office: 31
- Audit Division: 47

See, concerning this matter, the information presented in item 50 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.11. The supervisory body and the financial committees should oversee the effectiveness of systems and risk management, internal control and internal audit, and propose any adjustments that may prove necessary.

See, concerning this matter, the information presented in items 37 and 50 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

III.12. The Supervisory Body should issue an opinion on the work plans and resources allocated to the internal control, including control of compliance with the regulations applied to the company (compliance services) and of internal audit, and should receive the reports produced by these services at least when concerning matters related to the presentation of accounts, the identification or resolution of conflicts of interests and the detection of potential irregularities.

See, concerning this matter, the information presented in items 37 and 50 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

Chapter IV – Executive Management

Principles:

IV.A. As a way to increase the efficiency and quality of the performance of the management body and the suitable flow of information to this body, the day-to-day management of the company must belong to executive directors with the appropriate proficiency, skills and experience, that their function requires. Executive management is responsible for managing the company, pursuing the goals of the company and aiming to contribute to its sustainable development.

IV.B. In determining the number of executive directors, the size of the company, the complexity of its activity and its geographical dispersion must be taken in to account, in addition to the costs and the desirable agility in the way the executive management works.

Recommendations

IV.1. The management body should approve, through internal regulations or through an equivalent means, the working regime of executives and their performance in executive functions in entities outside the group.

See, concerning this matter, the information presented in item 21 – Executive Committee, of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

IV.2. The administration body must assure that the company acts in accordance with its objectives, and should not delegate its powers, namely, with respect to: i) definition of the strategy and general policies of the company; ii) definition of the Group's business structure; iii) decisions which should be considered strategic due to their amount, risk or special features

See, concerning this matter, the information presented in item 21 – Board of Directors of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

IV.3. The management body should set risk-taking goals and ensure that they are fulfilled.

See, concerning this matter, the information presented in item 21 – Board of Directors of Part I of the current Report, and Recommendation IV.4. following.

Declaration of Compliance: **COMPLIANT**

IV.4. The supervisory body should organize itself internally by implementing periodic control mechanisms and procedures to ensure that the risks effectively incurred by the company are consistent with the objectives set by the management body

The Board of Directors establishes objective regarding the assumption of risks by mean of the formal approval of the Risk Appetite Statement (RAS – “Risk Appetite Statement”) of the Bank.

The "Risk appetite statement" incorporates a set of key indicators relating to the identified material risks and their acceptable levels of risk (tolerance levels). These levels of tolerance:

- constitute maximum risk assumption objectives and are, in turn, developed and discharged "in cascade" and in greater detail to the risk limits that are part of the institution's risk policy and materialized in the internal rulings documentation;
- are established at two levels: an alert level, prior to the maximum permissible value and an absolute "break" level, which require corrective measures if they are reached.

The Board of Directors monitors and analyses - on a monthly basis, through its Executive Committee (EC) and the Committee for Risk Assessment (CRA) bimonthly - the evolution of the RAS indicators, against the established limits, thus acting in accordance with that evolution, whenever the indicators in question reach alert or break levels.

In turn, Audit Committee of the BofD supervises the application of RAS in order to ensure that the risks actually taken are at compatible levels with the RAS and if there are deviations, the EC and/or the BofD shall take the necessary corrective measures to mitigate risk levels, to ensure that RAS is complied with.

See, concerning this matter, the information presented in item 21 - Audit Committee, of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

Chapter V – Performance Evaluation, Remuneration and Nominations

V.1. Annual Performance Evaluation

Principle:

The company should promote the evaluation of the performance of the executive body and its members individually and also of the overall performance of the management body and of the specialized committees established within it.

Recommendations:

V.1.1. The management body should evaluate annually its performance as well as the performance of its committees and of the delegated directors, taking into account the compliance with the company's strategic plan and budget, risk management, internal performance of the management and of its committees, as well as the relationship between corporate bodies and committees.

See, concerning this matter, the information presented in items 24 and 25 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.1.2. The supervisory body must supervise the management of the company and, in particular, evaluate annually the compliance with the company's strategic plan and budget, risk management, the internal functioning of the management body and its committees, and the relationship between bodies and committees of the company.

See, concerning this matter, the information presented in items 24, 25 and 38 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.2. Remunerations.

Principle:

The remuneration policy of members of management and supervision bodies must allow the company to attract, at a reasonable economic cost for their situation, qualified professionals, to induce the alignment of interests with those of the shareholders - taking into account the wealth effectively created by the company, the economic situation and the market situation - and to constitute a factor for the development of a culture of professionalisation, promotion of merit and transparency in society.

Recommendations:

V.2.1. The establishment of remunerations should be made by a committee whose composition ensures its independence from management.

See, concerning this matter, the information presented in items 66 and 67 of Part I of the current Report.

Considering the specific rules that regulate this matter with regard to Credit Institutions, namely the provisions of Articles 115-b to 115-i of the Legal Framework for Credit Institutions and Financial Companies, and EBA/GL/2015/22 of June 27, 2016, this recommendation should be considered as not applicable.

Declaration of Compliance: **Not applicable**

V.2.2. The remunerations commission must approve, at the beginning of each term-of-office, the making and confirm, every year, the remuneration policy of the members of the corporate bodies and commissions of the company, wherein the respective fixed components are established and, regarding the executive directors or directors temporarily in charge of executive tasks, if there is a variable component of the remuneration, the respective criteria for attribution and measurement, the limitation mechanisms, the mechanisms for the deferment of the payment of the remuneration, and the remuneration mechanisms based on options or shares of the company itself.

On this matter, see the information presented in items 27-b, 66, 67 and 69. of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.2.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law 28/2009, of 19 June, should also contain:

See, concerning this matter, the information presented in items 69 and 81 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

i. The total remuneration broken down by the different components, the relative proportion of the variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of society, and information on how performance criteria were applied.

See, concerning this matter, the information presented in items 70, 77 and 79 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

ii. The remunerations from companies part of the same group;

See, concerning this matter, the information presented in items 77 and 78 of Part I of the current Report.

lii. The number of shares and of options on shares granted or offered and the main conditions for the exercise of the rights, including price and the date of that exercise and any alteration in those conditions;

See, concerning this matter, the information presented in items 70 and 85 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

Iv. Information of the possibility of requesting the return of a variable remuneration;

See, concerning this matter, the information presented in items 69, 70 and 80 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

v. Information on any deviation from the procedure for implementing the approved remuneration policy, including an explanation of the nature of the exceptional circumstances and an indication of the specific elements to be waived;

There was no deviation from the approved remuneration policy, which was validated by the Committee for Nominations and Remunerations based on the opinions of the Internal Audit Division and of the Independent Auditor.

See, concerning this matter, the information presented in item 66 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

vi. Information on the payability or non-payability of amounts relative to the termination of duties of directors.

See, concerning this matter, the information presented in item 80, of Part I of the current Report, and Recommendation V.2.4 following.

Declaration of Compliance: COMPLIANT

V.2.4. For each term of office, the remuneration committee should also approve the pension scheme of directors, if the articles will allow it, and the maximum amount of any compensation to be paid to the member of any body or committee of the company in case they leave office.

See, concerning this matter, the information provided in items 69, 76, 80, 83 and 84 of Part I of the current Report and the following recommendation.

Declaration of Compliance: COMPLIANT

V.2.5. With the purpose to provide information or clarification to the shareholders, the chairman or, in his / her absence, another member of the remuneration committee shall be present at the annual general meeting and any other meetings if the respective agenda includes a matter related to the remuneration of the members of the bodies and committees of the company or if such presence has been requested by shareholders

See, concerning this matter, the information presented in item 67, of Part I of the current Report, and Recommendation V.2.4 above.

Declaration of Compliance: COMPLIANT

V.2.6. Within the budgetary constraints of the company, the remuneration committee must be able to freely decide on the contracting, by the company, of the consultancy services necessary or convenient for the performance of its duties. The Remuneration Committee should ensure that the services are provided with independence and that the respective providers will not be hired for the provision of any other services to the company itself or to other companies that are in a control or group relationship without the express authorization of Committee.

See, concerning this matter, the information presented in items 27-b and 67 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.3. Remuneration of Directors

Principle:

Directors should receive compensation:

- (i) That adequately remunerates the responsibility assumed, the availability and the competence placed at the service of the company;
- (ii) That guarantees a line of conduct aligned with the long-term interests of the shareholders, as well as others that they expressly define; and
- (iii) that rewards performance.

Recommendations:

V.3.1. Bearing in mind the alignment of interests between the company and executive directors, a portion of their remuneration should be of a variable nature so as to reflect the sustained performance of the company and does not encourage excessive risk-taking.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3.2. A significant part of the variable component must be partially deferred over time for a period of not less than three years, associating it with the confirmation of the sustainability of performance, under the terms defined in the company's regulations.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3.3 When variable remuneration comprises options or other instruments directly or indirectly dependent on the value of the shares, the beginning of the exercise period shall be deferred for a term of not less than three years.

See, concerning this matter, the information presented in item 70 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3.4. The remuneration of the non-executive directors should not include any component whose value depends on the performance or value of the company.

See, concerning this matter, the information presented in item 69 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.3.5. The company should have the appropriate legal instruments so that the termination of functions before the term of office does not directly or indirectly result in the payment to the director of any amounts other than those set forth by the law, and should explain the legal instruments adopted in the corporate governance report.

See, concerning this matter, the information presented in items 83 and 84 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

V.4. Nominations

Principle:

Regardless of the appointment procedure, profile, expertise and curriculum of the members of the corporate bodies and senior managers, they should be suitable to the performance of the function.

Recommendations:

V.4.1. The company should, under such terms as it deems appropriate, but in a manner that can be demonstrated, promote that proposals for the election of members of corporate bodies are accompanied by a justification on the suitability of the profile, expertise and curriculum to the function of each candidate.

On May 30, 2018, the General Meeting of Shareholders approved by a majority of 99.71% of the votes cast the internal policy for the selection and evaluation of the adequacy of the members of the management and supervision bodies, which includes the "Succession Plan for the Bank's Board of Directors", which establishes, among others, the following aspects:

- Power to elect the members of corporate bodies;

- selection policy;
- composition of the Board of Directors;
- specific and minimum requirements for the exercise of management and supervision functions;
- specialized committees of the Board of Directors

The Succession Plan for the Bank's Board of Directors is available on the Bank's website at:

<https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-6-PT.pdf>

The Committee for Nominations and Remunerations, when evaluating the candidates for members of the corporate bodies, takes into account the guidelines of the Bank Succession Plan, analysing the curriculum, academic, professional and experience of each of the candidates in the light of the requirements of the Guide to fit and proper assessments of the members of members of the corporate bodies published by the European Central Bank in May 2018 and the ESMA and EBA Guidelines on adequacy of members of the management bodies and key function holders that came into force in June 30, 2018. In the aforementioned process of evaluating candidates, the Committee for Nominations and Remunerations also complies with the requirements imposed by the Banco de Portugal, namely Banco de Portugal instruction 23/2018 of November 5, 2018.

The authorization process for the exercise of the functions of the members of the management and supervisory bodies of the institutions, the Bank included, should be subject to the supervision of Banco de Portugal and the European Central Bank, and therefore consequences of the election by the General Meeting of Shareholders of the members of the corporate bodies, may be suspended and subject to obtaining the authorization of the European Central Bank to the performance of functions.

The curricula of candidates for members of the management and supervisory bodies and other documentation that, according to the law are given to shareholders, are available on the Bank's website, on the page with the following address.

<https://ind.millenniumbcp.pt/pt/Institucional/investidores/Documents/AssembGeral/2018/Ponto-8b-PT.pdf>

See, concerning this matter, the information presented in item 17 of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.4.2. Unless the size of the company does not justify it, the function of monitoring and supporting appointments to senior management positions should be attributed to a Committee for Nominations.

See, concerning this matter, the information presented in item 50-b of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.4.3. This commission includes a majority of independent non-executive members.

See, concerning this matter, the information presented in items 17 and 27-b of Part I of the current Report.

Declaration of Compliance: COMPLIANT

V.4.4. The Committee for Nominations should make its terms of reference available and should, to the extent of its competences, foster transparent selection procedures that include effective mechanisms for identifying potential candidates, and that those who have the greatest merit, are better suited to the requirements of the function, and promote within the organization adequate diversity including gender, should be the ones chosen for the proposal.

The Committee for Nominations and Remunerations is firmly convinced that the choice of the members of the corporate bodies pertains exclusively to shareholders who, as owners of the capital, should not alienate the right of choice of persons who, at any moment, they consider to be more suitable to manage their assets. Aware that there are other interests to be safeguarded beyond those of the shareholders, the Committee for Nominations and Remunerations evaluates the candidates that are proposed by the shareholders by means of clear and transparent rules, namely those contained in the Guide to fit and proper assessments of the members of the Corporate Bodies published by the European Central Bank in May 2018 and the ESMA and EBA Guidelines on adequacy of members of the management bodies and key function holders that came into force in June 30, 2018, as well as the Instruction from Banco de Portugal nr. 23/2018 of 5 November.

It is therefore as a result of such evaluation, and only when it is positive, that the Committee for Nominations and Remunerations requests the Banco de Portugal/European Central Bank a decision regarding the authorization for the elected or appointed directors to carry out their duties.

It should also be noted that this evaluation is reviewed annually or whenever any fact justifying is brought to the attention of the Committee for Nominations and Remunerations.

See, concerning this matter, the information presented in item 17, of Part I of the current Report, and Recommendation V.4.1.

Declaration of Compliance: **COMPLIANT**

Chapter VI – Risk Management

Principle:

Based on the medium and long-term strategy, the company must establish a system of risk management and control and internal audit that allows to anticipate and minimize the risks inherent to the activity.

Recommendations:

VI.1. The Board of Directors should discuss and approve the company's strategic plan and risk policy, including the formulation of acceptable risk levels.

The Company's risk policy is written down on a large set of internal regulations (about 80) with different hierarchies and level of detail. The documentation in question contains the definitions of risk management and control approved by the Board of Directors, at each moment, and is reviewed whenever necessary and at least every two years. Together, these documents materialize the institution's risk policy.

The internal regulations of a higher level, in the document hierarchy (Group Codes) are approved by the Board of Directors or by the Executive Committee, with the first being responsible for approving Group Codes of a more strategic nature or associated with risk or audit.

In addition, both the risk policy and the "Risk Strategy" (a document approved annually by the BofD and which defines the lines of action to be developed to mitigate and control the risks considered as material) are based on and derive from a formal risk identification and risk assessment process that is carried out each year under the ICAAP (Internal Capital Adequacy Assessment Process).

The results of the annual risk identification process are also the basis for the formal updating of the Risk Appetite Statement (RAS), which consists of a set of key indicators related to the identified material risks and their respective levels of risk deemed acceptable. RAS is also approved by the Board of Directors and its indicators (and tolerance levels) are then developed discharged "in cascade" – and with specific details – to the risk limits included in the institution's risk policy and materialized in the internal rulings documentation, as referred to above.

See, concerning this matter, the information presented in items 27 a) and 54 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

VI.2. Based on its risk policy, the company must establish a risk management system, identifying (i) the main risks to which it is exposed in the development of its activity; (ii) the probability of their occurrence and their impact; (iii) the instruments and measures to be adopted with for the purpose of their mitigation; (iv) monitoring procedures for their follow-up; and (v) the supervisory procedure, periodic evaluation and adjustment of the system.

The company's Risk Management System (RMS) is made up of the governance and management bodies and the organic units that perform the risk management and compliance functions, as set forth in Notice 5/2008 of the Banco de Portugal on the internal control of the institutions subject to its supervision.

In this regard, the RMS consists of an integrated set of human and technical resources that safeguard a wide range of processes, on a permanent basis, that provide an adequate understanding as to the nature and magnitude of the risks underlying the activities, thus enabling the adequate implementation of the strategy and the fulfilment of the institution's objectives.

Through the RMS, all material risks to which the institution is exposed, both internally and externally, are duly identified, assessed / measured, monitored and controlled, ensuring that the various risks remain at levels

previously defined by the management body and that they will not materially affect the financial situation of the institution, namely in what regards the preservation of its capital, liquidity and profitability.

Therefore:

- The Bank has established a formal and annual process to identify and assess the risks to which its business and business support activities are subject. The risk assessment under this process considers both the probability of occurrence of each risk but also the severity of the losses (or other types of negative impact) in case of occurrence. The combination of these two factors determines the rating as to the materiality of each risk.
- The courses of action to be developed for control and mitigation of the material risks, listed and described in the "Risk Strategy" approved by the BoFD, are reviewed annually. The choice of mitigation and control instruments at a more detailed level rests with the GMS governing bodies or with the organic units whose mission is to implement or promote mechanisms, tools and indicators for risk control and mitigation.

With regard to the periodic monitoring/assessment of the RMS, see the information presented in recommendation VI.3.

As to the adjustment of the RMS, in addition to what is done in the annual risk identification process and the annual review of the RMS and the "Risk Strategy", the same is permanently carried out, depending on changes in the incidence of activity risks - in relation to its nature, likelihood of occurrence and potential impacts in case of occurrence - that may be detected at all times and at any level of the organization. The detection in question is also possible through the monitoring of a set of indicators established with a minimum monthly frequency (some, with daily or intraday frequency), and is materialized through the revision of internal regulations or through the creation or reformulation of areas and functions of the institution that allow greater effectiveness in the control of risks already addressed or to address in a minimally effective way the new risks or emerging risks that were identified.

See, about this particular subject, the information presented in items 53 (i) of the recommendation under consideration and item 54 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

VI.3. The company should evaluate annually the degree of internal compliance and the performance of the risk management system, as well as the potential for change of the previously defined risk framework.

The Internal Audit function regularly performs audits on the various components (or areas) of the Risk Management System (RMS), namely, the auditing of the credit risk management system, the auditing of the operational risk management system, the auditing of the market risk management system.

The Internal Audit function pursues the general goal of auditing all areas of the RMS within a maximum cycle of 3 years, based on a process of risk assessment and of material changes identified in the risk management and control processes. The quality of the performance thus audited is reflected in the quantity and risk levels of the recommendations issued by the internal audit as a result of the audits that were carried out.

In addition to the evaluation of the performance carried out by the Internal Audit function, the institution has also a validation and monitoring function of (risk) models, materialized in the Office for the Validation and Monitoring of Models. Like the audit, this organic unit takes on an independent review function (IRF) in relation to the quality and performance of risk models that quantify controlled/mitigated risks.

Finally, it should be mentioned that, because it is a banking institution integrated, by European banking supervision, in the group of "Other Systemically Important Institutions" (O-SII), the Bank's RMS is constantly under the inspection of the banking supervision authority (the European Central Bank - ECB), relating to the various aspects of risk management and its different components. The inspections in question (as is the case for internal audits or the validation and monitoring of models) give rise to recommendations with different degrees of risk, in which case targets for resolution or remediation are imposed.

See also, concerning this matter, the information presented in item 54 of Part I of the current Report.

Declaration of Compliance:

COMPLIANT

Chapter VII – Financial Information

VII.1. Financial information

Principles:

VII.A. The supervisory body should independently and diligently ensure that the management body fulfils its responsibilities in the choice of appropriate accounting policies and criteria and in the establishment of appropriate systems for financial reporting, risk management, for internal control and audit.

VII.B. The supervisory body should promote an adequate articulation between the work of the internal audit and the statutory audit of accounts.

Recommendations:

VII.1.1. The internal regulation of the supervisory body should impose that it supervises the adequacy of the preparation and disclosure of financial information by the management body, including the adequacy of accounting policies, estimates, judgements, relevant disclosures and their consistent application between exercises, in a duly documented and reported manner.

See, concerning this matter, the information presented in item 37 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

VII.2. Statutory audit of Accounts and supervision

Principle:

It is incumbent upon the supervisory body to establish and monitor formal, clear and transparent procedures on the way the company selects and relates to the statutory auditor, and to verify if that auditor complies with the rules of independence that the law and professional standards impose.

Recommendations:

VII.2.1. Through internal regulations, the supervisory body should define:

- (i) The criteria and selection process for the Statutory Auditor
- (ii) The methodology of communication of the company with the Statutory Auditor
- (iii) The supervisory procedures designed to ensure the independence of the Statutory Auditor;
- (iv) Other than auditing services which can not be provided by the statutory auditor.

The choice of the Statutory Auditor should be based on the criteria and requirements listed below, which should be taken into account in the evaluations to be carried out by the Audit Committee, both in the initial evaluations, with the purpose to select candidates to be presented to the General Assembly, as well as in the following evaluations which should take place, at least once a year.

Quality of the Service Provided

The Statutory Auditor should demonstrate sufficient knowledge, expertise, dimension and experience to provide a high quality service, in line with the size of the Bank, the complexity of its activity and the risks to which it is exposed. Thus, the following criteria and requirements are particularly relevant:

- Reputation of the ROC, taking into consideration the way in which the entity exercises the profession as well as its ability to make objective and thoughtful decisions, adopting a behaviour and having a reputation that could instil trust in the market;

- Timeliness in meeting with the agreed time frames and deadlines, with the Bank and the Regulator;
- Proactiveness in the search for information related with business risks or other themes that may have impact on its plan of action, so as to identify and resolve any issues in due time, adjusting itself rapidly to alterations in risks, studying and presenting credible alternatives for debate;
- Provision of quality audit services, at a controlled cost and with reasonable fees regarding any additional services provided;
- Proactivity in recommending solutions to improve internal control and financial reporting systems.

Resources allocated to the Audit

Regarding the resources allocated to the services provided by the Statutory Auditor to BCP, the following should be evaluated:

- The technical and professional balance and adequacy of the team working for BCP, versus the size of the Bank, the complexity of its activity and the risks to which it is exposed;
- The technical expertise of the Statutory Auditor, as well as its ability to apply its knowledge in order to provide a quality service in the contracted area and to ensure a realistic, technically well-founded and independent analysis;
- The adequacy of knowledge on the business risks, processes, systems and specific operations inherent to the Bank's activity, as well as access to specialists in technical and banking-specific matters;
- The potential for access to sufficient additional specialized resources as may become necessary to complete the work in a timely manner or, in the case of re-evaluation or evaluation for a renewal, the specific access to those resources;
- The sufficiency of the time that is expected to be spent and the resources that are expected to be allocated, or in the cases of re-evaluation or evaluation for a renewal, the sufficiency of the time devoted and the resources allocated to audit tasks in face of the size of the Bank and the complexity of its activity.

Communication and Interaction

With regard to communication and interaction between the Bank and the Statutory Auditor, the latter should demonstrate, among the most relevant:

- Adequacy in the frequency of communication, as well a demonstrated availability and accessibility;
- Adequacy and sufficiency of support materials to meetings/discussions that are made available, as well as a sufficient advance in making them available;
- Capacity and concern to keep the Bank adequately informed of developments in accounting principles and standards applicable to the Bank and Group entities, including any material impacts on the Statutory Auditor's activity;
- Experience and capacity to debate, in an adequate manner, the quality of the Bank's financial reporting, including the reasonableness of the accounting estimations and judgements and the accounting policies framework in accordance with the trends and best practices in similar companies;
- Knowledge, experience and ability to request adequate and sufficient information to carry out its tasks.

Independence, Objectivity and Professional Scepticism

The Statutory Auditor should be independent and objective and demonstrate professional scepticism, complying with the Bank. In its periodic evaluations, it should be reviewed, among the most relevant:

- The integrity and objectivity of the Statutory Auditor, as well as its attentive and interrogative stance;
- The absence of conflicts of interests;
- Its independence, namely in debating all the issues which could reasonably be understood as able of jeopardizing its independence, including eventual exceptions regarding compliance with the independence requirements and safeguards established;
- The capacity and potential capability to approach the most sensitive issues in a constructive way and the experience to identify, communicate and adequately resolve issues of a technical nature that may come up during the course of the work.

On a proposal from the Audit Committee, the Bank approved an internal regulation on the criteria and selection process of the statutory auditor that can be consulted on the institutional website

https://ind.millenniumbcp.pt/pt/Institucional/governacao/Pages/normas_regulamentos.aspx

Regarding the communication, in addition to the above mentioned aspects, it should be pointed out that one of the items on the permanent agenda of the Audit Committee is the follow-up of the activity of the external auditors, where the topics related to the evolution of audit work are discussed; compliance with the agreed time frames; of subjects connected to the legal regime of the audit supervision; the statutes of the OROC and the LFCIFC on audit matters, in particular the monitoring of the external auditor's independence, as well as the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA)

The Audit Committee, in accordance with the powers conferred on it by its Regulations, approves the procurement of services awarded in compliance with the powers granted to it.

See, concerning this matter, the information presented in item 37 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

VII.2.2. The supervisory body should be the main discussion partner of the Statutory Auditor and the first to receive the reports, and should propose the respective remuneration and ensure that the company provides the appropriate conditions for the provision of the audit services.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: **COMPLIANT**

VII.2.3. The supervisory body should evaluate annually the work, independence and suitability for the performance of duties carried out by the statutory auditor and propose, to the competent body, the auditor's dismissal or the termination of the work contract whenever there is just cause for that.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: **COMPLIANT**

VII.2.4. The statutory auditor should, under his duties, verify the application of the remuneration policies and systems of the governing bodies, the efficacy and operation of the internal control mechanisms and report any failures to the supervisory body.

See, concerning this matter, the information presented in item 66 of Part I of the current Report.

Declaration of Compliance: **COMPLIANT**

VII.2.5. The statutory auditor should cooperate with the supervisory body and should immediately provide information on any irregularities that it has detected, relevant to the performance of the functions of the supervisory body and any difficulties encountered in the performance of its duties.

On this matter, see the information presented in Recommendation VII.2.1.

Declaration of Compliance: **COMPLIANT**

2. Analysis of compliance with the Corporate Governance Code implemented

The declaration of compliance with the recommendations of the Corporate Governance Code, which the Bank voluntarily resolved to observe, is presented in the Introduction to the present Report.