

INTRODUCTION



Introduction

Banco Comercial Português publishes every year, since 2004, Sustainability Reports in accordance with the GRI (Global Reporting Initiative) now in its Standards version.

Material issue: REPORTING AND COMMUNICATION

Sustainability Report

These reports, already in their 17th edition, are a complement to the non-financial information included in the Annual Report of the Bank and enable an integrated vision of the performance of Group Millennium in the Economic, Social and Environmental Areas but also the detail relating to each one of its operations located in Portugal, Poland, Switzerland and Mozambique.

Relating to the formats adopted and after the issuance of autonomous Reports from 2004 to 2008, the Bank decided, in 2009, to include in Volume I of the Annual Report a brief chapter on the activities carried out by Millennium in the wake of Sustainability and to publish the full version of the Sustainability Report only in digital format.

In 2010, to translate the alignment of the sustainable development and social responsibility policies with the business strategy of Millennium bcp, this Report became part of the Annual Report. The document Progresses and Targets was also published, a report that describes the development stage of the actions envisaged in the Sustainability Master Plan of the year it reports to. This reporting method adopted in 2010 continued to be used in 2011 and 2012.

In 2013, Millennium bcp decided to include a chapter - Responsible Business - on Sustainability in the Bank's Annual Report and it published again - in a separate and independent volume only available in digital format - a document detailing the activities developed during the year by the BCP Group, which it continued to do until 2016.

Within the framework established by DL 89/2017 of 28 July, regarding the mandatory annual disclosure of non-financial information and information on diversity by certain large companies, it keeps, since 2017, a dual format based on the summary information included in the Annual Report - Non-financial Statements - and on the detailed information included in the Sustainability Report, a format that the Bank decided to continue to adopt in this 2020 report.

This document, with an international scope, intends to comply with the expectations of the

Stakeholders of the BCP Group identified by means of the materiality tests made regularly and of the ongoing feedback received through the platforms, channels and available communication flows.

This report was made in accordance with the principles set forth by the GRI (Global Reporting Initiative), for the option "in accordance core" and respective supplement of the financial sector, the principles of inclusion, materiality and responsiveness of the Standard AA1000APS (2008) and verified by an external entity in compliance with the principles defined by the International Standard on Assurance Engagements 3000.

The scope and methods to estimate the reported indicators and reporting limits are detailed at the end of the report - under Methodology -. Complementary information to that reported, namely the GRI indicator tables, which includes correspondence with the Global Compact Principles, and SASB (Sustainability Accounting Standards Board), is available for consultation in the annexes of this report and on the institutional website of the Bank, at www.millenniumbcp.pt, Sustainability area.

This report, together with the [Annual Report of Millennium bcp](#), the [CSR Report of Bank Millennium](#), the [Annual Report of Millennium bim](#) and Annual Report of [Foundations Millennium bcp](#) and [Bank Millennium](#), discloses information on several aspects of the performance of BCP Group in material issues, duly identified in the materiality matrix available in the chapter Relation with Stakeholders.

Group BCP, subscriber of the Global Compact of the United Nations since 2005, also recognises the significance of Sustainable Development Goals (SDG) and of the 2030 Agenda of the United Nations and, therefore, the most direct contributions of the activity performed by Group BCP to accomplish those objectives are highlighted throughout this document.



Sustainable Development Goals (SDG) of the United Nations

The Sustainable Development Goals (SDG) of the United Nations, approved in September 2015, represent the most significant global voluntary commitment - already formalised by 193 from the five continents - and thrive at improving the quality of life of the world population - in the social, environmental and economical components - until 2030.

Considering that the accomplishment of its 17 objectives imply a joint effort from the States and the civil society and from private entities, namely from companies, the Bank assumes the commitment of actively working towards a sustainable development, featured by social inclusion and responsibility in terms of environment, in all countries where it operates.

The justification for the direct involvement of Millennium bcp in the fulfilment of the SGD can be found, first and foremost, in the matrix of the Bank, especially in its relation of proximity with people and capacity to add social value but also in the search for inclusive and innovative products and distribution channels focused at providing the best service to its clients.

BCP acknowledges that the SDG represent an unifying and aspirational reference framework that will enable to produce a new "social contract" and enhance changes imposed and required by the current economical, social and environmental situation.

Thus, within the scope of an ongoing process with which we intend to establish the relation - and identify the points of convergence - between the Bank's activity, its ethical values and corporate culture and the one now set forth by the SDG, this is the moment to identify and characterize the Bank's contribution for the accomplishment of the objectives and the way Group BCP is matching its value proposal in the different countries to the needs and expectations of the interested parties.

BCP identifies, at this stage, as a priority for the implementation of the 2030 Agenda for Sustainable Development, the SDG 1 (End Poverty), 4 (Quality Education), 5 (Gender Equality), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 10 (Reduced Inequalities), 13 (Climate Action), 15 (Life on Land) and 17 (Partnerships for the Goals).

Sustainability Policy

The BCP Group pursues dynamic strategies adapted to the new challenges imposed by the several interested parties with which it establishes relations. The main objectives of the adopted sustainability policies, which foster a culture of Social Responsibility, has been to positively influence the organisation's value proposition in the long term, balanced with the well-being of the people, the company and communities in which it operates, while preserving natural resources, climate and the environment.

Within this context, it is possible to divide the Bank's intervention into three major areas of intervention:

- Environment - implementation of measures that foster a fair and inclusive transition into a zero-carbon economic development model, including the incorporation of the environmental component in the Bank's risk models and in the offer of products and services;
- Social - involvement with both the external and the internal communities;
- Corporate Governance - integration of the principles of sustainability in the Bank's decision-making processes.

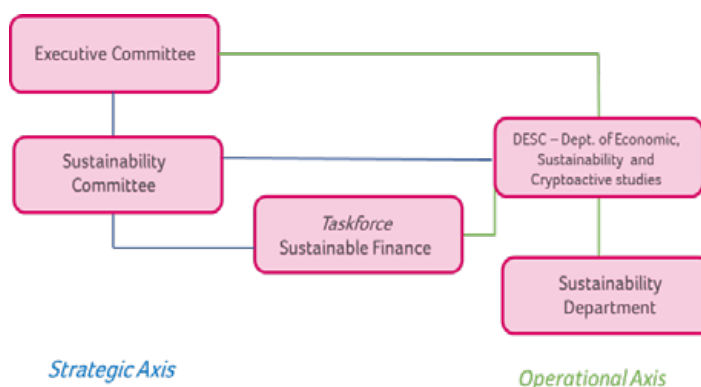
Therefore, as an integral part of its business model, Millennium bcp takes on the commitment to create social value by developing actions to - and with - the various stakeholder groups with the goal of directly and indirectly contribute to the economic and social development of the countries in which it operates.

Governance Model

In 2020 Millennium bcp revised the Bank's governance model, creating a Sustainability Commission ([Regulations of the Sustainability Commission](#)).

This commission, that emanates from the Executive Committee, being chaired by the CEO, is the body responsible for the appraisal, debate and supervision of the implementation, within a corporate standpoint, of a sustainability strategy - that includes the economic, social, environmental, and climate changes components - of Millennium bcp, having, in particular, the following tasks:

- To assist the EC in integrating the principles of Sustainability (Environmental, Social and Corporate Governance) in the decision and management processes of the Bank.
- To assess and approve the initiatives required to implement the actions defined to materialise the strategic axes of the Sustainability Master Plan in force, as well as other changes or adaptations necessary to meet the defined objectives.
- To follow-up and monitor the progress of approved initiatives, compliance with the respective deadlines and budgets and the evolution of the results achieved, as well as the key performance indicators of the plan's dimensions.



Tax Policy

The social responsibility of the companies requires an increasing adoption of behaviours and the establishment of commitments with the communities of which we are part of, such as the protection of environment, of social well-being and the quality of governance of institutions. More recently, a conscious and fair tax behaviour by the companies is becoming increasingly paramount, playing a key role in the corporate social responsibility of the institutions. The companies face high tax burdens (taxes, charges, and contributions), a fact that often leads to aggressive tax planning, able of jeopardizing the desired fiscal responsibility standards.

The payment of a fair amount of taxes by the companies is becoming one of the main challenges of the European Union (EU (2018) Action Plan for Fair and Efficient Corporate Taxation in the EU) and of the OECD in its recent Report BEPS - (*Base Erosion Profit Shifting*) the action of which includes combating tax avoidance behaviours. Within this context, the concept of tax governance appears as a crucial aspect of the social responsibility of the companies, requiring the adoption by the latter of good tax governance practices such as (i) timely compliance with their tax obligations; (ii) the management of fiscal risks; (iii) a good relationship with the Tax Authorities and with shareholders, investors and remaining stakeholders.

The good practices in terms of fiscal responsibility of the companies also comprise the promotion of principles such as tax transparency, the careful and transparent definition of tax strategies and the disclosure of tax governance practices. Aware of the relevance of this theme, BCP complies with the tax burden it is subject to and adopted a policy of tax transparency based on the good practice of disclosing the amount of its taxes and contributions, as stated in notes 6 to 30 of disclosure of the annex to the financial statements.

It is also through this relevant contribution that BCP assumes itself as an institution that provides a relevant contribution towards the development of a more inclusive, fair, and sustainable society. ([Principles of Millennium bcp on Fiscal Matters](#))

Commitments

In the wake of the subscription in 2005 of the United Nations Global Compact Principles and re-affirmed in 2018, BCP Group commits to support its 10 Principles establishing a set of values in what concerns Human Rights, Labour Conditions, Protection of the Environment and Anti-corruption.

In 2019, within the scope of the “Think tank on sustainable finance in Portugal”, promoted by the Ministries of Environment, Economy and Finances (within the context of the Route to Carbon Neutrality in 2050) that had the participation from the major banks that operate in the market, supervisors and sector associations, two documents were produced: (i) “[Guidelines to accelerate sustainable funding in Portugal](#)”; e (ii) “[Engagement Letter for the Sustainable Funding in Portugal](#)” - subscribed by Millennium bcp -, that seek to evidence the importance of including environmental and governance risks in the decision-making processes and in the management of risk in the financial sector.

Within the context of sustainable finance, Millennium bcp was, in 2020, one of the subscribers of the Declaration “*Aproveitar a crise para lançar um novo paradigma de desenvolvimento sustentável*” (Take advantage of the crisis to launch a new paradigm of sustainable development) promoted by BCSD Portugal, joining a collective will to, in this turning point and economic recovery imposed by the pandemic situation, contribute for the construction of a development model based on five main pillars: (i) Promotion of growth, (ii) Search for efficiency, (iii) Reinforcement of Resilience, (iv) Corporate Citizenship and (v) Promotion of sustainable and inclusive development.

In 2020 Millennium bcp also subscribed to the “European Green Capital Commitment”, promoted by the Municipality of Lisbon, that joins more than 200 significant entities of the city, companies, schools and institutions, in a commitment towards more climate actions and targeted at sustainability and able of fostering a collective dynamics to comply with the targets defined by the Paris Agreement and accelerate the achievement of Carbon Neutrality.

Within this framework, Millennium bcp proposes to achieve, until 2030, the following initiatives:

- #1 Energy – Install LED lighting in all buildings (completed in 2020);
- #2 Energy – Install (more) equipment to produce photovoltaic solar energy in the buildings more exposed to the sun and with a sufficient area for that purpose (until 12/2030);
- #3 Water – Implement solutions enabling to re-used water (until 12/2021);
- #4 Circular Economy – Eliminate the use of plastics re-used only once (until 06/2021);
- #5Citizenship and Participation – Disclose materials from the Green Capital to the employees and/or Clients (completed in 2020).

In 2019, the Bank also joined the “Business Mobility Pact for the City of Lisbon”, a joint initiative from the Municipality of Lisbon (CML) and, WBCSD – *World Business Council for Sustainable Development* and from BCSD Portugal, that aggregates in a public voluntary agreement, companies that operate in Lisbon and have as a common goal to improve and transform mobility in the city, making it more sustainable.

Hence, Millennium bcp is decided to, (i) increase the proportion of electric and hybrid *plug-in* vehicles in its operational fleet and in those for private use and (ii) keep, for the Employees use, a pool of cars able of being reserved and used as necessary for service travels.



Millennium bcp also subscribed in 2019 the “CEO Guide to Human Rights” an initiative from the World Business Council for Sustainable Development (WBCSD) and from the Business Council for Sustainable Development (BCSD, Portugal). The Guide includes the policies and practices of reference and intends to contribute for the implementation and promotion of the human rights in the organization and in their value chains.

To further enhance its commitment with human rights and an ethical and inclusive management, in 2020, BCP signed the “Statement from Business Leaders for Renewed Global Cooperation”, from Global Compact of the United Nations, an international statement focused on showing the commitment with an ethical leadership, based on good governance practices, materialised through values, strategy, policies, operations and proximity relations and involvement with all *stakeholders*. This commitment also aims at establishing a partnership with the United Nations, Governments, and civil society to contribute for the straightening of justice and transparency, promoting equality and respect for human rights.

Also in 2020, Millennium bcp joined the “*Women's Empowerment Principles*” (WEP) from *Global Compact* of the United Nations, an important international platform for the promotion of gender equality that translates our long-term view and the will to be part of - and encourage - a collective dynamics based on cooperation and trust.

Within the scope of the Commitment with Diversity and Equality of Gender - already translated in the corporate policy “[Diversity and Equal Opportunities](#)” -, the Executive Committee approved an action plan for gender equality for 2020/2021, involving the regular follow-up of its execution by the Human Resources Commission. The initiatives proposed are aggregated in four major pillars, namely:

- Strict application of the Remunerations Policy and promotions, considering criteria of equity in merit versus the group of Employees exercising similar functions, regardless of gender;
- Increased participation of the gender less represented in leading positions in the programmes for the development of Leadership competences
- Recruitment of new employees using diversity and wage equality criteria; and
- Work-Life balance support.

Millennium bcp is a subscriber of the Charter of Principles from BCSD Portugal - Business Council for Sustainable Development. This document establishes the principles that are the guidelines for good corporate management, enabling the subscribing companies to be recognized by their clients, suppliers and by the society in general for the adoption of solid sustainability commitments.

In Poland, Bank Millennium adopted an Environmental Policy, assuming the commitment to fund environmentally responsible investments, also aimed at reducing the consumption of energy, while foreseeing sector exclusions concerning the financing to new mines of coal and new investments with generation of energy from coal sources, exception made to the initiatives aimed at reducing the levels of pollution.

Bank Millennium is, since 2018, a subscriber of the Letter for Diversity in Poland, a commitment that reaffirms its determination in respecting and promoting diversity amongst customers and employees.

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Corporate social responsibility increasingly requires the adaptation of behaviour and commitment to the communities in which we operate, such as environmental protection, social welfare and the quality of governance of the institutions.

Partnerships

BCP, aware of the importance of sharing good practices and of an active participation in the pursue of Responsible Business Principles, is an associate and a member of the corporate bodies of BCSD Portugal – Conselho Empresarial para o Desenvolvimento Sustentável.

It is also member of the Global Compact Network Portugal from the United Nations and, within a logic of proximity and support to the surrounding communities, of the Programme Oeiras Solidária (POS).

It also participates in a selected number of working groups and discussion forums on Sustainable Finance, a presence that should be understood within the scope of the Action Plan from the European Union, the ongoing alterations in the ruling and regulatory framework and evolution of the risk and business management practices applicable to ESG (Environmental, Social e Governance) issues, in what also represents an opportunity to re-assess impacts, anticipate trends and project future transformations.

This way, it is part of the Working Groups on Sustainable Finance from (i) APB – Associação Portuguesa de Bancos, (ii) EBF – European Banking Federation, (iii) BCSD Portugal and (iv) AEM – Associação de Empresas Emitentes de Valores Cotados em Mercado. BCP is also a member of the (v) Technical Debate Group for Sustainable Finance in Portugal from the Ministry of Environment, (vi) the Technical Sub-Commission on Sustainable Finance ISO/TC 322 from APEE – Associação Portuguesa de Ética Empresarial and from ISO – International Organization for Standardization and (vii) the Task Force on ESG Taxonomy from APB.

Environmental and social risk management

Aware of the impact of environmental and social risks on the planet and the Bank, BCP defined in its Sustainability Master Plan an approach to environmental and social risk management based on three areas of activity: the integration of ESG risk in risk management procedures, the identification and classification of customers with greater environmental and social risks and the awareness of clients in sectors of activity with greater exposure to environmental risks.

BCP has been integrating environmental and social risks into the risk analysis process, incorporating policies, standards and procedures for their management. We integrate environmental risk analysis into the evaluation processes of clients in the granting of credit and project finance, taking into account not only the risks associated with the sectors of activity of operations, but also the ESG performance of our Clients. We are developing and implementing ESG risk scoring processes for Large Corporate clients and defining sectoral financing and investment policies for industries with high exposure to environmental risks (positive and negative screening).

BCP also meets the needs of investors who consider it relevant to contemplate, in their investments, social and environmental risk factors, making Responsible Investment Funds available for subscription. We assess the ESG risk of each of the managed portfolios and in the construction of portfolios we integrate information on the ESG risk.

Finally, the BCP also recognizes the existence of sectors of activity or projects that do not meet the defined Environment Policy, preserve the environment, promote sustainable development, combat climate change and preserve biodiversity. This recognition resulted in the definition of an Exclusion List for sectors of activity not financed by the Bank in Poland, and a similar list is being defined in the Portuguese operation.

Evolution of Non-Financial Reporting

The approach to sustainability by Group BCP is based on the most important national and international reporting and performance trends on environmental, social and governance issues.

Thus, in its Sustainability Master Plan, Millennium bcp defined several goals to face the most recent trends in terms of *sustainable finance* and *disclosure* of non-financial information, such as the subscription to the Responsible Banking Principles from the United Nations (UNEP FI) – to be carried out in 2021 – , the compliance with the targets defined within the scope of the Sustainable Development Goals, the adaptation to the new guidelines of the EU on non-financial reporting, including the recommendations issued by TCFD – Task Force on Climate-related Financial Disclosures, the alignment with the Taxonomy Regulations or the Sustainable Finance Disclosure Regulation (SFDR) or the definition of Science Based Targets in line with the Paris Agreement.

The Bank considers that it plays a relevant role in the compliance with the European and international commitments and recognises the importance of the involvement and alignment of the financial sector in the transition into a sustainable economic development model. In terms of climate changes, the Bank assumes the commitment established within the scope of the Paris Agreement and the objective of limiting global warming below 1,5° degrees Celsius. In what concerns an ethical and responsible leadership, we must emphasize the commitment assumed by Group BCP with the principles of Global Compact defined by the United Nations, which comprise 10 Principles within the scope of Human Rights, Working Conditions, Protection of the Environment and Anti-corruption.

In terms of reporting guidelines, the Bank develops its Sustainability Report in line with GRI Standards, also publishing SASB indicators, namely those associated with the financial sector, as well as the recommendations from TCFD and, in Portugal, from CMVM – Comissão de Mercado de Valores Mobiliários.

On issues related with Sustainable Finance, the Bank monitors the evolution recorded in terms of regulations for the financial sector (namely the Plan of the European Commission for Sustainable Finance, the guidelines defined by the European Central Bank and by the European Regulatory Authorities, among other) and, as mentioned before, participates in several work groups on this theme.

The communication of information related with sustainable finance (pre-contractual information on products and services and periodical disclosures on the alignment of the bank's portfolio), namely through the observance of the requirements on sustainability-related disclosures in the financial services sector (Regulation EU 2019/2088) and the classification system for sustainable activities, i.e. an EU taxonomy (EU Regulation 2020/852), will represent a key component for the promotion of transparent information.

In addition, the Group wishes to ensure an increasingly greater alignment between offer, business procedures and operations of the financial sector and the ESG themes (*Environmental, Social and Governance*), by means of the inclusion of social and environmental issues in the activities performed by the company, from risk management to offer and management of internal activities.



In 2020, Millennium bcp signed the "Statement from Business Leaders for Renewed Global Cooperation", an international declaration of the United Nations Global Compact that attests to its commitment to ethical and value-based leadership.