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BANCO
CARREGOSA

Employee

Remuneration Policy

August-2022

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Employee Remuneration Policy

Board of Directors

I. Versions Index

Date	Version	Description
Aug.2016	1.0	Creation of document.
Jan.2017	2.0	Full recasting of the document so as to ensure conformity with the “Guidelines on sound remuneration policies pursuant to Articles 74(3) and 75(2) of Directive 2013/36/EU, and the dissemination of information, under Article 450 of Regulation (EU) No. 575/2013” (EBA/GL/2015/22), with the “Guidelines on remuneration policies and practices related the sale and provision of retail banking products and services” (EBA/GL/2016/06) and with the recommendations in the “Report on Conduct Risks associated to the mis-selling of savings and investment products” issued by the National Council of Financial Supervisors.
Jul.2019	3.0	Remove the Members of the Management and Supervisory Bodies (MOAF) and of the Statutory Auditor (ROC) from the subjective scope, considering that specific regulations exist in connection thereto. Include the Policy on the Identification of Critical Employees and related provisions. Formal adjustments.
Ago.2020	4.0	Reference to the thorough review of variable remuneration, which will include the adoption of a new model expected to take effect from 2021. Reference to the implementation of a new performance management model expected to take effect from 2021. Review of the Policy on the Identification of Critical Employees in line with legal provisions, considering that Senior Management includes all employees who report directly to the Board of Directors (BoD). Include the list with the names of all critical employees. Remove Annex II, on the Variable Remuneration Policy, as this is now being thoroughly reviewed. Include a new Annex – Annex II, on the Investment Advisors Remuneration Plan.
Sept.2021	5.0	Adjustment to the Legal Framework of Credit Institutions and Financial Companies (RGICSF), the EBA/GL/2015/22 Guidelines, and Banco de Portugal Notice 3/2020; Adoption of the recommendations issued by Banco de Portugal.
Aug.2022	6.0	Review of the document, updating legal and regulatory references and adapting the document to the Bank’s new template. Review of the subjective scope of the Policy. Reference to the Regulations of the Board of Directors concerning the composition of the RC. Review of the time reference to the communication of criteria and objectives. Include mention of how employees are assessed so that no area /individual objectives are set. Introduce a specific provision concerning discretionary pension benefits. Review of the information on the Pension Fund, bearing in mind that a possible conversion process is still under evaluation. Include general reference to the quantitative criteria used for weighting the individual assessment of the performance of Critical Employees, review the weighting of qualitative criteria in the individual assessment of said employees and how the weightings used to determine the total amount of variable remuneration to be awarded to Critical Employees is

to be presented.
Reference to the adjustments to be considered in the award of the variable component of remuneration and in the performance assessment.
Review of the maximum ratio between the variable and fixed components of employees' remuneration.
Amend the definition of Critical Employees.
Introduce a provision on stay-on bonuses.
Reference to the disclosure of the results of the annual independent evaluation.
Introduce a reference to the composition and powers of the Remuneration Committee, through reference to the Regulations of the Board of Directors.
Creation of a single section (D | Governance), which embodies the former sections D. Governance and I. Remuneration of Critical Employees.
Include reference to the way in which the Bank fulfils its duty to disclose information.

II. Properties

Proprietorship

Board of Directors

Proponent

Executive Committee

Contributors

Compliance Department and People and Culture Department

Approval

Board of Directors, on 30 August 2022

Banco Carregosa Code

Strategy and Organisation | 1.16

Entry into effect

31 August 2022

Scope of Disclosure

Public

III. Legislative Sources and Reference Documents

1.15 – Remuneration Policy of Members of Management and Supervisory Bodies.

1.30 – Regulation on Risk Management and Compliance Functions.

1.31 – Regulation of the Internal Audit Function.

2.04 – Conflict of Interest Policy.

Banco de Portugal Notice 3/2020, of 15 July, regulating internal governance and control systems and defining the minimum standards on which the organisational entities subject to Banco de Portugal supervision must be based.

Portuguese Securities Code, approved by Decree-law No. 486/99, of 13 November.

EBA guidelines on internal governance (EBA/GL/2021/05), disclosed in Banco de Portugal Circular Letter CC/2021/00000057.

EBA Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services (EBA/GL/2016/06).

EBA Guidelines on sound remuneration policies (EBA/GL/2021/04), disclosed in Banco de Portugal Circular Letter CC/2021/00000056.

Legal Framework of Credit Institutions and Financial Companies, approved by Decree-law No. 298/92, of 31 December.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Commission Delegated Regulation (EU) No. 923/2021, of 25 March 2021, supplementing Directive 2013/36/EU of the European Parliament and of the Council as regards regulatory technical standards setting out the criteria to define management responsibilities, control functions, significant business units and material impact on the risk profile of a business unit, and setting out criteria to identify the members or categories of staff whose professional activities have an impact on the risk profile of the institution comparable to the members or categories of staff referred to in Article 92(3) of the directive.

Report on Conduct Risks associated to the mis-selling of savings and investment products, issued by the National Council of Financial Supervisors.

IV. Definitions, Abbreviations and Acronyms

AG: General Meeting.

ASF: Insurance and Occupational Pensions Supervisory Authority.

Investment Advisors: external advisors not tied to the Bank by an employment or similar contract, who provide support to the Private Banking and Savings and Investment areas.

Bank or Banco Carregosa: Banco L. J. Carregosa S.A..

BoD: Board of Directors.

EC: Executive Committee.

SB: Supervisory Board.

Employees: any person with employment ties to the Bank, irrespective of the hierarchical function or nature and duration of this tie, not covering, for the purpose of this Policy, the members of the BoD, the SB, the Remuneration

and Assessment Committee (CRAV) and the Statutory Auditor (ROC). Investment Advisors are also excluded from the definition of the concept of employee(s).

RC: Remuneration Committee.

RAC: Remuneration and Assessment Committee.

IAD: Internal Audit Department.

PBD: Private Banking Department.

CD: Compliance Department.

AMID: Accounting and Management Information Department.

CD: Credit Department.

FD: Financial Department.

LD: Legal Department.

PCD: People and Culture Department.

SID: Savings and Investment Department.

RD: Risk Department.

ITD: Information Technology Department.

ICF: Internal Control Functions.

Policy: this Employee Remuneration Policy.

RGICSF: Legal Framework of Credit institutions and Financial Companies.

ROC: Statutory Auditor or Statutory Audit Firm.

A. Purpose

1. As the Bank operates in a sector which is subject to continual change and major social and technological challenges, it is a matter of urgency to ensure an Employee Remuneration Policy that enables the adoption of and compliance with remuneration practices that are consistent with prudent, sound and effective risk management and do not encourage excessive risk-taking or promote conflict of interest-inducing situations with clients.
2. Similarly, this Policy aims to:
 - i. Promote alignment between the objectives of shareholders and other stakeholders and those of employees, based on the Bank's strategy and risk profile at any given time, recognising the importance of the contribution of all people/employees for the Bank's performance;
 - ii. Differentiate exceptional performance.

B. General Principles

3. Through this Policy, Banco Carregosa aims to:
 - i. Attract, motivate and retain highly talented employees that contribute to creating value in the medium and long term;
 - ii. Foster remuneration practices that promote and are consistent with sound and prudent risk management;¹
 - iii. Not encourage risk-taking at levels greater than those tolerated by the Bank;
 - iv. Promote the sustained achievement of the Bank's objectives, values, and interests, in accordance with its strategic lines;
 - v. Ensure, while not losing sight of the best market practices, that employee remuneration is adequate and proportional to the size and organisation of the Bank, as well as to the nature, scope and complexity of the activities carried out at any given time;
 - vi. Support management based on values of justice and equity, responsibility and transparency, appreciating the effective performance of employees and promoting excellence;
 - vii. Provide an internal reference of good practices.
4. The Bank structures its remuneration system so as to ensure appropriate balances at internal level (functional) and external level (market), implementing a functional and performance assessment based on objective criteria aligned with its risk, capital and liquidity management.
5. The Bank recognises that remuneration is essential to attract and retain talent, consolidate a proactive corporate culture, improve the organisational climate, foster competent, responsible and independent conduct, promoting productivity and the professional fulfilment and satisfaction of all those involved.
6. The Bank's remuneration model should also be based on policies and practices that take into account the clients' rights and interests, ensuring that the various forms of remuneration do not provide incentives whereby employees favour their own interests, or the Bank's interests, at the expense of clients.

¹ Cf. Article 14(1)(i) of the RGICSF.

C. Subjective Scope

7. All employees are covered by this Policy, including:
 - i. The Bank's senior management;
 - ii. Employees responsible for ICF;
 - iii. Critical employees, with the exception of MOAFs, to whom the provisions of document 1.15 – Remuneration Policy for Members of the Management and Supervisory Bodies apply;
 - iv. Employees who have direct contact with clients in connection with the marketing of products and services, as well as employees who, directly or indirectly, are involved in managing or supervising such employees.

D. Governance

8. This Policy is approved, reviewed and updated by the BoD, on a proposal from the EC, following a favourable opinion from the Remuneration Committee (RC), whose constitution and competences are described in 1.04 – Regulations of the Board of Directors.²
9. The RC, in coordination with the ICF and the PCD, shall assess this Policy every year to verify the compliance of the adopted remuneration practices, providing an analysis of the results, in particular their effect on the Bank's risk, capital and liquidity management, and of the measures necessary to correct any shortcomings found.
10. The report prepared under the terms of the previous paragraph is made available to the GM, the SB and the BoD, which shall ensure the implementation of the measures identified by the responsible bodies or other structural units.
11. If requested by BdP, the aforementioned report shall be immediately made available.
12. As per paragraph 9. above, the Risk Department (RD) shall give an opinion on the alignment of the policy with the risk culture and on the impact on the liquidity and capital requirements resulting from each of the risks to which the institution is exposed. The Compliance Department (CD) shall give an opinion on the proper application of the legal and regulatory framework, and on the contribution of the policy to fostering appropriate employee behaviours.

E. Remuneration Structure

13. Employees receive an annual fixed remuneration, as per their individual employment contract, and may also receive variable remuneration – annual bonus – depending on the sustainable performance of the Bank, of the unit to which they belong and/or of the performance of the employee, and on their own functions and responsibilities.
14. The Bank favours paying a fixed remuneration ³, aimed at being a stable source of income for the employee. The fixed remuneration paid to each employee at any given time takes into account the professional experience and responsibility taken in the performance of their specifically assigned duties, and should be established in accordance with average market standards for equivalent functions and with similar-sized businesses in the sector.

² The RC shall be constituted in accordance with paragraph 40.

³ Within the meaning of paragraphs 132 to 138 of the EBA Guidelines on sound remuneration policies (EBA/GL/2021/04).

15. The EC is responsible for determining the remuneration provided for in the preceding paragraph, without prejudice to the provisions of paragraph 34.
16. Fixed remunerations shall be processed and paid to employees in accordance with the applicable labour law, in particular the rules on the payment of monthly remuneration and allowances as may be due.
17. The variable remuneration depends on the decision of the BoD, who shall set, for the year in question, the target and measures, and the rules of eligibility, assessment and award of variable remuneration to employees. The possible award of this remuneration shall respect the following essential principles:
 - i. Payment made in cash and/or in the form of flexible benefits;
 - ii. The total value of the variable remuneration component may not in any circumstance be more than the annual value of the employee's fixed remuneration component;
 - iii. Compliance with the legal principles and rules and guidelines issued by the relevant authorities, in particular those arising from the RGICSF, the Guidelines on sound remuneration policies (EBA/GL/2021/04), and from Banco de Portugal Notice 3/2020;
 - iv. Consideration of staff's performance, that of the business unit and of the Bank, taking into account financial and non-financial criteria, when relevant, in an annual framework;
 - v. Disclosure of the collective and individual objectives, as well as the criteria and weighting factors for determining the variable remuneration, prior to the start of the period and not after 31 March of the year to which they relate;
 - vi. Provision of mechanisms designed to avoid any incentives to promote products with a higher risk than desired by each non-professional client or to sell products considered unsuitable, i.e., an objective definition of the target public and respect for it in the marketing process should be encouraged;
 - vii. No direct link between the remuneration and the sale of specific financial instruments or a specific class of financial instruments;
 - viii. Establishment of benchmarks used in the calculation of the variable remuneration, common to all products sold;
 - ix. The payment of remuneration shall depend on the assessment by the BoD of the Bank's sustained results and be adjusted to the Bank's risk. Its provision in this Policy should not be understood as a commitment, with the variable remuneration not constituting *per se* a right;
 - x. No minimum guarantees on the value of the variable remuneration, irrespective of the Bank's performance, and no agreements to mitigate the risk inherent to variable remuneration except in the first year of activity, and if there is an adequate capital base;
 - xi. Generic correspondence between the assessed objectives and profitability and growth variables that ensure the Bank's sustainable growth;
 - xii. Definition of objectives likely to foster compliance with ethical principles and discourage excessive risk-taking or actions that are out of line with clients' interests;
 - xiii. Assessment of objectives calculated in the first quarter of the following year to which it refers;
 - xiv. The assessment shall be carried out:
 - a. Every year, so that it can be based on the performance over the financial year in question and so that the payment of the variable remuneration takes into account the Bank's underlying economic cycle and its business risks;

- b. In order to ensure an appropriate balance between absolute and relative, as well as quantitative and qualitative criteria, the latter should have a weighting of not less than 15% of the assessment under sub-paragraph c.;
 - c. Considering the following components and corresponding weighting criteria:
 - Bank's objectives (quantitative and qualitative): 37.5%;
 - Area and/or Individual objectives (quantitative and/or qualitative): 62.5%.⁴
 - d. Considering the contribution of the employee to the creation of value in the Bank, in particular given that the assessment set out in the preceding sub-paragraph may be lowered or increased according to the individual qualitative assessment.
- xv. Approval by the BoD, in the year following the assessment, having heard the Remuneration Committee and the Risk Department, of the overall variable remuneration to be awarded based on the performance achieved and on the foreseeable liquidity and capital requirements resulting from each of the risks to which the institution is exposed;
 - xvi. Where the variable remuneration does not exceed €50 000 or 1/3 of the employee's total remuneration, no deferral shall apply. If any of these limits is exceeded, a payment of 50% will be made in the year in which the variable remuneration is calculated, and the difference shall be deferred and paid on 4 equal instalments over the 4 subsequent years;
 - xvii. If Own Funds decrease, the deferred amounts set out in the preceding sub-paragraph shall be proportionally adjusted according to the changes in Own Funds, considering the comparison between the end of the year prior to the payment of the deferred sum and the end of the reference year of the deferred remuneration;
 - xviii. Without prejudice to the applicable civil and labour legislation, the variable part of the remuneration may be reduced or reversed, by decision of the BoD, in particular when the following occur:
 - a. Development of the strategic plan in force;
 - b. If the assumptions defined for the award of the variable remuneration component are not verified;
 - c. If the BoD, after consulting the EC and, in respect of employees with ICF, having obtained the opinion of the SB, concludes that the employee:
 - Participated in or was responsible for an action that resulted in significant losses for the Bank;
 - Failed to meet suitability and reliability criteria;
 - Has been responsible for marketing financial instruments under inadequate conditions and with a negative financial impact on clients.
 - d. If the employee is or has been subject to disciplinary proceedings;
 - e. If the employee terminates their employment contract, either on their own initiative or as a result of being dismissed with fair cause;
 - f. These mechanisms may be applied up to the date of payment of the variable remuneration in the case of reduction, and up to 2 years after the payment thereof in the case of reversal;

⁴ For certain structural units, the exclusive application of the Bank's objectives may be determined, which will be, in such circumstances, a 100% contribution.

- xix. Decomplexity of policies and practices, avoiding the combination of different policies or practices and multi-layered systems.
18. For instance, the following are established as qualitative criteria established for the purposes referred to in sub-paragraphs c. and d. of item xiv. in the preceding paragraph, compliance with regulatory requirements (in particular conduct of business rules and, in particular, the analysis of the suitability of instruments sold to clients by relevant persons) and of internal procedures, the fair treatment of clients, and their degree of satisfaction.
19. For the assessment provided for in paragraph 17(c.) and (d.) of sub-paragraph xiv., the quantitative criteria approved annually shall be considered, which may include, for instance, the variation in assets under the supervision of each Employee in the commercial areas.
20. The Bank recognises the importance of setting an appropriate ratio between the fixed and variable components of employee's overall remuneration, so that the application of the latter does not incentivise risks incompatible with the position of employees, and must be adjusted taking into account, where possible and appropriate, the risks and performance of the Bank, the business unit in which the employee works, the employee, the rights and interests of clients, the duties performed, and internal relevance..
21. In compliance with the principle stated in the preceding paragraph, variable remuneration is defined taking into account the responsibilities of each function and the performance of the employee, being at least 0%, and not more than 25% of the fixed remuneration when performance comes close to meeting the target, this limit being increased to a maximum of 31.25% when exceptional performances occur.
22. The Bank does not award stay-on bonuses.
23. In addition to the rules on remuneration of its internal employees, the Bank has a system for the payment of remunerations to external partners, who are called Investment Advisors, which complies with the rules established in the MiFID II on the Employment Remuneration Policy, and is aligned with this Policy, the remuneration of which may consist of a fixed component and/or a variable component.
24. The Bank does not accommodate the provision of Article 115(3) of the RGICSF, which establishes that at least half of the variable remuneration should consist of shares, equivalent or otherwise indexed instruments, given that:
- i. The Bank is a small-sized institution;
 - ii. The Bank's shares are not admitted to trading on a regulated market and, given the size and ownership of its capital, these shares lack liquidity and regular market value;
 - iii. For the very same reasons, there are no other types of financial instruments that can in any way meet the objectives of the regulations and recommendations in force;
 - iv. The costs of effectively ensuring the mechanisms provided for in the regulations are too high, calling the award of a variable remuneration component into question.
25. Severance payments for early termination of functions shall comply with the provisions of the labour law, reflecting the performance achieved by the employee over time in the course of these functions, and no minimum or maximum amounts shall be set, nor shall any mechanisms be accepted which in any way may encourage failure or misconduct. Compensation shall not be awarded for the termination of functions resulting from the dismissal of an employee from circumstances for which they are to blame, pursuant to the law, without prejudice to settlement of outstanding remuneration.
26. Remuneration paid to employees for buyout from previous employment contracts shall be exceptional in nature and, where applicable, shall be fixed taking into consideration the Bank's long-term interests,

including the application of the rules on performance, on the payment of variable remuneration, unavailability through retention by the Bank, and deferral and reversal.

F. Pensions

27. The Bank currently has a Defined Benefit Pension Plan in force and is analysing the possibility of converting this plan, by lump sum contribution, into a Defined Contribution Pension Plan, by shared contribution, covering active employees who are currently beneficiaries of the Fund. The Defined Benefit Pension Plan, as it stands at the moment, shall be maintained to cover the pensions of former employees, current pension payments and SAMS (medical-social aid assistance for bank employees). Once this process is concluded, it shall be for the ASF to decide on the conformity to materialise this objective.
28. The Bank intends to expand the subjective scope of application of this new Defined Contribution Pension Plan to all remaining employees.
29. The Bank does not establish discretionary pension benefits for its employees.

G. Other Benefits

30. Other benefits provided by the Bank to the employees not covered by the Defined Benefit Pension Plan currently in force and tied by an indefinite or fixed duration employment contract:
 - i. Health Insurance offering coverage for the employee and members of their family forming part of their household;
 - ii. Child benefits and study grants for employees' children.
31. Depending on the specific work conditions of each employee, the Bank may also pay allowances for flexible working hours and duty allowances, which shall be considered an integral part of the fixed remuneration.
32. As it falls outside the scope of its activity, the Bank does not grant mortgages or personal loans, nor does it guarantee special credit conditions to its employees in general. All lending operations are analysed according to the policies and procedures in force on granting credit, and the specific provisions set out in document 2.04 – Conflict of Interest Policy also apply to transactions with employees.

H. Remuneration of ICF Employees

33. The remuneration level of ICF employees shall be such as to enable the hiring of qualified and experienced staff to perform their duties, and the remuneration structure shall be established in such a way as to reflect the nature of their responsibilities.
34. The remuneration of the employee responsible for each ICF shall be approved by the BoD, having consulted the SB and the RC.
35. The EC shall be responsible for approving the remuneration of other ICF employees, and the remuneration package shall be regularly assessed, at least on an annual basis, by the RC, the SB and the BoD.
36. Without prejudice to the provisions set out in 1.30 – Regulation of the Risk Management and Compliance Functions and in 1.31 – Internal Control Functions, whenever a variable component is determined for an ICF employee:

- i. The methods used to determine them may not compromise the objectivity and independence of the ICF employees;
 - ii. The variable portion of the remuneration shall be determined separately from the business units controlled by the ICFs, in particular the performance resulting from business decisions in which the ICFs is involved;
 - iii. The criteria used to assess performance and risks shall be based primarily on the objectives of the ICFs, and may depend on the overall performance of the Bank;
 - iv. Given the nature of the ICFs, the remuneration of ICF employees shall be predominantly of the fixed type. The fixed component thereof shall represent between 70% and 100% of the overall remuneration. In setting the variable component, it should be ensured that the ratio between the variable and fixed components does not exceed 60% of the highest ratio established for the various functions;
 - v. The award of variable remuneration, if any, shall be determined separately from the performance of the business areas in which the employees carry out their control functions;
 - vi. The use of any payment mechanisms through special purpose vehicles or other methods with equivalent effects is expressly forbidden;
 - vii. Without prejudice to the applicable civil and labour legislation The variable portion of ICF employee remunerations may be reduced or reversed by decision of the Board of Directors, pursuant to paragraph 17, xviii) c.), and the applicability of the criteria shall be verified by the BoD, in consultation with the SB.
37. ICF employees are forbidden to use any mechanisms, insurance contracts or others, aimed at covering risk or guaranteeing remuneration and which are intended to mitigate the effects of the remuneration arrangements provided for in this Policy, in particular the alignment of the variable remuneration with risk. The award of variable remuneration to ICF employees shall be subject to the assumption, at least of a prior written commitment, that they will not use or enter into such mechanisms.

I. Critical Employees

I.1. Identification of Critical Employees Process

38. The EC shall:
- i. Propose the "Policy on the Identification of Critical Employees", which is approved by the BoD and is included in this Policy as Annex A. | Policy on the Identification of Critical Employees;
 - ii. Design and ensure an annual self-assessment, in collaboration with the People and Culture Department (PCD), to identify all employees whose professional activities may have or have a significant impact on the Bank's risk profile and that, as such, should be identified as critical employees;
 - iii. Obtain the opinion of the CD and of the RD regarding the processes referred to in the preceding sub-paragraph;
 - iv. Ensure that the identification of employees is carried out appropriately, in compliance with Commission Delegated Regulation (EU) No. 923/2021 and other regulations, regulatory provisions, guidelines and recommendations in force at any given time;
 - v. Propose any significant exemptions or changes to the adopted policy and carefully consider and control its effect;
 - vi. Propose any exclusion from the classification of critical employees, in compliance with Article 6(2) of the Commission Delegated Regulation No. 923/2021, whenever it considers that they do not meet the

conditions to satisfy the qualitative criteria defined in said Regulation, to the extent that such employees do not have a significant impact on the institution's risk profile;

- vii. Periodically review the approved policy and, if necessary, propose amendments thereto.
- 39. The BoD is responsible for approving Annex A. | Policy on the Identification of Critical Employees, on a proposal from the EC and having obtained the opinions referred to in sub-paragraph iii. of the preceding paragraph. The BoD may approve derogation from any of the principles set out concerning a specific employee or group of employees, giving its reasons.
- 40. The RC is responsible for monitoring and assessing the process of identifying critical employees described in the preceding paragraphs, issuing opinion whenever deemed appropriate.
- 41. The application of the principles set out in the Policy on the Identification of Critical Employees is materialised in a list to be updated by the PCD.
- 42. Whenever the list is updated, the PCD shall send it to Compliance, so that it can be included in the documents that this Department keeps as evidence of the Bank's compliance with its remuneration obligations.
- 43. The EC shall present to the BoD a list of critical employees on request, and at least every year, together with the Self-Assessment Report.
- 44. A review of the process of identification of Critical Employees and its results shall be carried out every year by the IAF or by an entity external to the institution, under the terms defined in the Internal Audit Function Multi-Year Plan.

I.2. Remuneration of Critical Employees

- 45. The EC shall be responsible for approving and reviewing the remuneration structure of critical employees, when there is no specific rule, as is the case of the employees responsible for the ICF employees referred above, and their remuneration package shall be regularly assessed, at least on an annual basis, by the RC and the BoD.
- 46. The principles and rules set out in this Policy for all other employees shall apply to critical employees.
- 47. In addition, Critical Employees are forbidden to use any mechanisms, insurance contracts or others, aimed at covering risk or guaranteeing remuneration and which are intended to mitigate the effects of the remuneration arrangements provided for in this Policy, in particular the alignment of the variable remuneration with risk. The award of variable remuneration to a Critical Employee shall be subject to the assumption, at least of a prior written commitment, that they will not use or enter into such mechanisms.
- 48. The use of any payment mechanisms Critical Employees through special purpose vehicles or other methods with equivalent effects is expressly forbidden.

J. Public Disclosure

- 49. This Remuneration Policy is disclosed on the Bank's website (www.bancocarregosa.com) and is available and accessible for reference.

K. Transitional Provisions

- 50. The RC shall be constituted within 30 days of the Board of Directors elected for the 2021-2023 mandate taking office.
- 51. Within the period referred to in the preceding paragraph, the BoD shall approve the RC Regulations.

52. The implementation of the remuneration provided for in paragraph 17 shall be made for the first time in 2022, following a schedule adapted to the introductory phase of the new model.

Anexo A. | Policy on the Identification of Critical Employees

1. The Bank, in line with Delegated Regulation (EU) 923/2021, shall establish a set of appropriate and clear qualitative and quantitative criteria in order to define, for the purpose of the Remuneration Policy, the categories of employees whose professional activities have a significant impact on the Bank's risk profile.
2. Thus, critical employee shall be taken to mean anyone who meets any of the following criteria:
 - i. The employee is an executive member of the BoD;
 - ii. The employee is a non-executive member of the BoD or is a member of the SB;
 - iii. The employee is responsible for the Risk Department (RD), the Compliance Department (CD), or the Internal Audit Department (IAD);
 - iv. The employee is responsible for the Coordination of Commercial Areas, the Private Banking Department, the Savings and Investment Department, or the Financial Department;
 - v. The employee is responsible for the Legal Department, the Accounting and Management Information Department, the People and Culture Department, or the IT Department;
 - vi. The employee is responsible for the Credit Department;
 - vii. Employees who report directly to the Board of Directors or, where management powers have been delegated, to one of its executive members, and who have not been identified in accordance with the preceding paragraphs;
 - viii. The employee is a deputy director of the Risk, Compliance or Internal Audit departments;
 - ix. The employee is a deputy director of the Private Banking, Savings and Investment, or Financial departments;
 - x. Where the derogation for firms with small trading books provided for in Article 94 of Regulation (EU) No. 575/2013 does not apply to the Bank, the employee:
 - a. Has the authority to make, approve or veto a decision on trading book transactions whose aggregate value reaches one of the following thresholds:
 - Where the Standardised Approach is used, a capital requirement for market risks that represents 0.5% or more of the Bank's Tier 1 Core Capital; or
 - Where an internal model-based approach has been approved, for regulatory purposes, represents 5% or more of the Bank's internal threshold for trading book exposures with a one-sided confidence range of 99%.
 - b. Is a member of a committee that has the authority to take the decisions referred to in subparagraph i.
 - xi. The employee undertakes management responsibilities over a group of employees who individually have the power to bind the institution in transactions, and one of the following conditions is met:
 - a. The sum of these powers is equal to or greater than the threshold defined in paragraph 10(i)(a);
 - b. Where an internal model-based approach has been approved for regulatory purposes, those powers shall be 5% or more of the Bank's internal threshold for trading book exposures with a one-sided confidence range of 99%. If the Bank chooses not to calculate an exposure value for that employee, the threshold value for exposures for employees under its management shall be determined through addition.
 - xii. As regards decisions to approve or veto the introduction of new products, the employee:

- a. Has the authority to make such decisions; or
 - b. Is a member of a committee with authority to make such decisions.
- xiii. The employee undertakes management responsibilities over an employee who meets one of the criteria set out in sub-paragraphs iii. to xii.
- xiv. In the previous financial year, the employee has earned:
- a. a total remuneration of EUR 750 000 or more;
 - b. a remuneration higher than the average remuneration paid to the employees referred to in i. and ii.

