



1833

BANCO
CARREGOSA

Internal Policy for the Selection and
Assessment of the Suitability of the
Members of the Management and
Supervisory Bodies and Key Function
Holders

May 2024

V. 8.0

< This page intentionally left blank >

Table of Contents

I.	Versions Index	v
II.	Properties.....	vi
III.	Legislative Sources and Reference Documents.....	vii
IV.	Definitions, Abbreviations, and Acronyms	vii
A.	General Principles.....	1
B.	Subjective Scope	1
C.	Competences	2
D.	Application and Selection Processes	2
E.	Assessment Policy	3
	E.1.General Principles.....	3
	E.2.Requirements of Good Repute	3
	E.3.Requirements of Job Qualification.....	3
	E.4.Requirements of Independence	4
	E.5.Requirements of Availability.....	4
F.	Reassessment of MOAFs	5
G.	Periodical reassessment of KFHS.....	5
H.	Assessment of Changing Circumstances	5
I.	Identification of Potential MOAF Candidates	5
J.	Transitional Provisions.....	6



< This page intentionally left blank >

Internal Policy for the Selection and Assessment of the Members of the Management and Supervisory Bodies and Key Function Holders

General Meeting

I. Versions Index

Date	Version	Description
May.2015	1.0	Creation of document.
May.2017	2.0	Integration of document in the Bank's new documentation structure and clarification of the selection process.
May.2018	3.0	Remove references to ROC (Statutory Auditor), as this is a matter dealt with in the "Regulation on the Selection of the ROC/SROC and on Hiring of Separate Audit Services"; Include a minimum gender diversity requirement for the MOAF; Amend the KFH's power to select when performing internal control activities.
May.2019	4.0	Define criteria for the determination of KFEs and the process of assessing their suitability.
Jun.2020	5.0	Amend the qualification and availability requirements; Review procedures in case of collective unsuitability; Change the frequency of reassessment of the MOAF.
Jun.2021	6.0	Adapt to the Bank's current documentary structure. Reference to the mandatory prior favourable opinion of the Supervisory Committee for replacing those responsible for internal control functions. Remove the reference to the need to assess the KFHS that have not been assessed in the 12 months prior to 31 May 2019, insofar as such assessments have already been carried out. Include the obligation to keep the list of KFHS constantly updated. Indicate that the repository containing the candidates' details can be consulted by both the Management Body and the CRAV. Reference to the complementarity of competences of its members in the collective assessment. Provisions regarding the assessment of the needs of the Management and Supervisory Bodies and the need to keep a list of potential candidates. Include new transitional provisions.
Jun.2022	7.0	Update Legislative Sources and Reference Documents. Review Definitions, Abbreviations, and Acronyms. Formal corrections, including in cross-references. Remove the transitional provisions already fulfilled. Adapt the Policy to the Bank's new template.
Mai.2024	8.0	Setting gender target for the composition of the BoD, the EC and the SC. Transitional provisions on Succession Policy.



II. Properties

Proprietorship

General Meeting

Proponent

Board of Directors and Remuneration and Assessment Committee

Contributors

Compliance Department

Approval

The General Meeting, 29 May 2024

Banco Carregosa Code

Strategy and Organisation | 1.02

Entry into effect

30 May 2024

Scope of Disclosure

Public

III. Legislative Sources and Reference Documents

1.01 – Articles of incorporation of Banco L. J. Carregosa, S.A..

2.01 – Code of Conduct

2.04 – Conflict of Interest Policy

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

Portuguese Companies Code, approved by Decree-Law No. 262/86, of 2 September, as amended by subsequent legal instruments.

Portuguese Securities Code, approved by Decree-Law No. 486/99, of 13 November, as amended by subsequent legal instruments.

Law 148/2015, of 9 September, which approves the Legal Framework of Audit Supervision, as amended by subsequent legal instruments.

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

Joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body and key function holders (ESMA35-36-2319 and EBA/GL/2021/06), published by Banco de Portugal in Circular Letter CC/2021/00000058.

Legal Framework of Credit institutions and Financial Companies, approved by Decree-Law No. 298/92, of 31 December, as amended by subsequent legal instruments.

IV. Definitions, abbreviations and acronyms

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

BoD: Board of Directors.

EC: Executive Committee.

SC: Supervisory Committee.

Employees: any person with employment ties to the Bank, irrespective of the hierarchical function or nature and duration of this tie, covering, pursuant to applicable legal, regulatory or contractual provisions, agents, commissioners and permanent or one-off service providers under an outsourcing arrangement.

CSC: Portuguese Companies Code.

CRAV: Remuneration and Assessment Committee, tasked by the General Meeting to assess the MOAF and to define the remuneration of the MOAF.

CD: Compliance Department.

PCD: People and Culture Department.

Executive member: any member of the Bank's Executive Committee.

MOAF: Any full or alternate member of the Bank's Management or Supervisory bodies;



Management Body: the Bank's Board of Directors.

Supervisory Body: the Bank's Supervisory Committee.

Policy: Internal Policy for the Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies and Key Function Holders.

RGICSF: Legal Framework of Credit Institutions and Financial Companies.

KFHs: Key Function Holders, in paragraph 9.



A. General Principles

1. This Internal Policy for the Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders at Banco Carregosa is approved by the General Meeting.
2. The Bank shall have, at all times, a group of Employees and Bodies which, by virtue of their skills, qualifications, job experience, good repute and availability are suitable for performing their tasks.
3. Access to the MOAF and hiring or promoting KFH shall not be discriminated on the basis of gender.
4. The Bank promotes gender diversity in the composition of its management and supervisory bodies, ensuring that they are at all times composed of members of both sexes.
5. In addition, by the end of 2027, the Bank aims to ensure that neither gender is under-represented among the members of the Board of Directors, the Executive Committee and the Supervisory Board.
6. Banco Carregosa provides the MOAF and KFH various ways of developing their professional competences, in particular training suited to the proper performance of their tasks.
7. The Bank shall ensure that the MOAF and KFH have the appropriate means to fully understand and comply with the Bank's internal regulations, in particular the Code of Conduct and the rules on the prevention of conflicts of interest.

B. Subjective Scope

8. The good repute, job qualification, independence and availability of both the MOAF and KFH must be assessed.
9. KFH are considered to mean the Employees who perform the following functions:
 - i. Central Manager;
 - ii. Financial Manager;
 - iii. Head of Internal Audit;
 - iv. Head of Compliance;
 - v. Head of Risk Management;
 - vi. Head of regulatory compliance on matters concerning the Prevention of Money Laundering and Terrorist Financing.
10. KFH are also considered to mean any Employee who, cumulatively, earns a total remuneration of more than the sum of the mean total remuneration of non-MOAF Employees corresponding to twice the standard deviation and who, in the performance of their duties:
 - i. Engage in material or legal acts binding to the Bank;
 - ii. Issue orders, instructions or other indications to the Bank's workers and Employees;
 - iii. Issue binding opinions with internal effectiveness for a wide range of recipients;
 - iv. Take strategic decisions;
 - v. Take decisions concerning internal organisation;
 - vi. Are continuously accorded specific Bank management or directive powers.



11. Every year, the PCD shall verify which employees fall within the minimum remuneration referred to in paragraph 10, and shall communicate the list thereof to the EC and CD.
12. All Employees who receive the minimum remuneration stated in the preceding paragraph shall have an assessment dossier on their KHF status, to be drawn up by the EC.
13. Regarding all employees identified in accordance with paragraphs 9 and 10, the CD shall keep an updated list with their names, functions, assessment on the applicability of grading in accordance with paragraph 10 and, if they are considered KFHs, the date of their last assessment, and the unit that performed such assessment.

C. Competences

14. The CRAV is responsible for assessing the suitability of the MOAF.
15. The BoD is responsible for assessing the suitability of KFHs, and delegates this responsibility to the EC with regard to the employees that depend thereon.
16. As regards KFHs who perform internal control functions, the BoD may not delegate the responsibility for assessing their suitability to the EC.
17. The SC shall be heard in the cases referred to in the preceding paragraph.
18. The Head of Internal Control Function may only be replaced after prior favourable opinion from the SC.

D. Application and Selection Processes

19. The MOAF are elected by the Bank's shareholders at a General Meeting of Shareholders.
20. The members of the BoD may, in the special cases provided for in Article 393 of the CSC, be co-opted, a decision to be ratified in the subsequent General Meeting.
21. The BoD or the EC is responsible for appointing KFHs with regard to the Employees that depend thereon.
22. The persons referred to in paragraphs 19 and 20 above shall send the following information to the CRAV and the persons referred to in paragraph 21 to the BoD or the EC, as applicable:
 - i. Personal data and *curriculum vitae*, with at least the references to the elements required by the law and regulations in force;
 - ii. A declaration of availability to perform the duties or to take up positions in corporate bodies, signed by the applicant or candidate; in the case of the performance of key functions provided for in subparagraphs iii. to vi. of paragraph 10, mention shall be made of the exclusive basis, in accordance with paragraph 42;
 - iii. Criminal record certificate;
 - iv. Any written personal and professional references from applicants and/or duly identified third parties, in particular employers or contractors and fellow workers or Employees, on the nature, skills, experience, capacity and competence of the candidates concerned, and any other aspects that enable their assessment;
 - v. Self-assessment of the candidate for the performance of duties, as laid down by the Bank;
 - vi. Other elements requested by the competent body to assess the suitability.
23. Proposals or applications received pursuant to the preceding paragraph shall be included in a repository accessible to the Management Body and the CRAV.



E. Assessment Policy

E.1. General principles

24. The purpose of the Assessment Policy is to assess compliance with the principles and objectives referred to in paragraph 2, in particular the requirements of good repute, availability, independence and qualifications necessary to ensure the sound and prudent management of the Bank, safeguarding the interests of its clients, depositors, shareholders, workers, and other stakeholders.
25. In addition to the individual assessment of the MOAF, CRAV shall collectively assess the Body in question in order to check the levels of availability and job qualifications required to fulfil the legal and statutory functions in all the relevant Bank areas of activity. Any weaknesses in the composition of the Management and Supervisory Bodies shall not jeopardise the suitability of a particular member.

E.2. Requirements of Good Repute

26. In accordance with Article 30-D of the RGICSF, the Bank takes into account the usual form of business carried out by the interested party with regard, in particular, to the aspects that reveal their capacity to decide in a wise and considered manner, the tendency to meet their obligations, and the adoption of behaviours compatible with the preservation of market confidence and protection.
27. The Bank shall use the information that it deems necessary about the background of the interested candidate in order to assess their good repute for performing the duties.
28. The circumstances stated in Article 30-D(3) of the RGICSF shall be taken into account when assessing the topics described in this article.

E.3. Requirements of Job Qualification

29. In accordance with Article 31 of the RGICSF, the Bank shall assess the job qualifications of the persons identified in B. Subjective Scope of this Policy, in order to ensure that they demonstrate the skills, qualifications and theoretical and practical competences for performing their duties, in particular with regard to understanding and managing the risks of a credit institution, strategic and business planning of the Bank, the legal and regulatory requirements to which it is subject, and the monitoring and evaluation of control mechanisms.
30. The MOAF shall demonstrate that they have the competences and qualifications necessary for the performance of their duties, gained through academic studies or specialised training appropriate to the position to be held and through relevant experience, the term and responsibility of which are in line with the characteristics, complexity and size of the Bank, as well as with the risks associated to the activity carried out by the Bank.
31. Prior training and experience shall be relevant enough to enable the holders of such positions to effectively understand the Bank's operation and activity, assess risks to which it is exposed, and critically analyse any decisions taken.
32. Special attention should be paid to the depth and suitability of training for action in areas/services or other areas relevant to the exercise of functions. In general, training in Banking and Finance, Economics, Management, Law, Administration, Financial Regulation and Quantitative Methods are related to financial services.
33. Executive members of the Management Body shall have acquired sufficient practical and professional experience in a managerial or directorship position, including management of commercial bodies, for a sufficiently long period not less than 5 years. Although they may be taken into account in the



assessment, short-term or temporary positions are generally not sufficient to assume that the candidates have sufficiently relevant experience to develop relevant competences in the field.

34. Non-executive members of the Management Body and the members of the Supervisory Body shall have the competences, qualifications, and academic and management experience to be able to critically assess the decisions taken by the EC and to effectively supervise its activity. The experience shall preferably have been acquired in the exercise of administrative, supervisory or management of financial institutions, in order to furnish them with an in-depth knowledge of the banking business, in particular as regards the requirements of a credit institution on governance and internal control, including those related with risk management and internal audit, knowledge of financial matters so that they may formulate critical opinions on financial information subject to the analysis and approval by the Management Body.
35. The Management and Supervisory Bodies as a whole shall have the appropriate knowledge, competences and experience, suggesting that complementarity among their members should be a priority.
36. In accordance with Article 3(2)(a) of Law 148/2015, of 9 September, the SC shall include at least one member knowledgeable in auditing or accounting.

E.4. Requirements of Independence

37. In accordance with and considering the situations and criteria laid down in Article 31-A of the RGICSF, the Bank shall seek to safeguard the persons referred to in B. Subjective Scope against the undue influence of other persons or entities, by promoting the exercise of their powers without restrictions
38. The Supervisory Committee shall have a majority of independent members, within the meaning of Article 414(5) of the CSC.

E.5. Requirements of Availability

39. In assessing the availability of the MOAF, the particular requirements of the position and the nature, scale and complexity of the Bank's activity shall be taken into consideration.
40. The CRAV shall decide on the engagement of the MOAF in other entities, assessing not only compliance with the requirements of independence, but also of availability to perform the tasks at the Bank.
41. The minimum periods of availability considered appropriate are as follows:
 - i. 40 hours per week for the EC members;
 - ii. 20 hours per week for the Chair of the BoD;
 - iii. 10 hours per week for other non-executive members of the BoD and for the Chair of the SC;
 - iv. 7 hours per week for the voting members of the SC.
42. The KFHs referred to in sub-paragraphs iii. to vi. of paragraph 9 shall have to work exclusively for the Bank. In exceptional cases, duly approved by the EC or, where applicable, by the BoD, they may be allowed to accumulate their tasks with representation, academic, artistic functions, or to participate in international fora of interest to the Bank.



F. Reassessment of MOAFs

43. The Bank shall reassess the requirements described in sub-sections E.2. Requirements of Good Repute to E.5. Requirements of Availability, at least every two years and in all cases where the mandates of the MOAF are renewed, also taking into account the changing circumstances described in H. Assessment of Changing Circumstances.

G. Periodical Assessment of KFHS

44. The Bank shall assess all its KFHS every three years according to the criteria defined in this Policy.
45. Where at the time of such reassessment the KFHS has been assessed less than 12 months ago, in particular due to a selection process or changing circumstances, the KFHS shall not be reassessed.

H. Assessment of Changing Circumstances

46. Where the assumptions based on which the appointment was decided change significantly, especially in the event of facts or circumstances that give rise to doubts as to the fulfilment of requirements, or in the event of a serious or repeated non-compliance with the Code of Conduct or the rules on prevention, communication and remedying of conflicts of interest, pursuant to the Conflict of Interest Policy, the suitability of the persons identified in B. Subjective Scope shall be revised.
47. The persons identified in B. Subjective Scope shall be obligated to inform the Bank of any fact or circumstance subsequent to the appointment that may change the content of the information provided in D. Application and Selection Processes.
48. If, as a result of the reassessment described in paragraph 45, it is concluded that the facts or circumstances that have arisen affect the verification of the requirements for the position and that they are not repairable, the Employee shall, as the case may be, resign from the post, be suspended or dismissed.
49. Once the situation described in the preceding paragraph has been verified and where appropriate, the Corporate Body concerned shall be assessed as provided for in paragraph 24.
50. If the assessment establishes that the Body, as a whole, does not comply with the requirements, the corrective measures may encompass, among others, adjustments of responsibilities among the members of the Management and Supervisory Bodies as a whole, to ensure that the overall qualification and experience of the Management and Supervisory Bodies are sufficient.

I. Identification of Potential MOAF Candidates

51. The BoD and the SC shall identify and assess the needs in terms of their composition and organisation, including, in the case of the BoD, any needs associated with the distribution of responsibilities.
52. Based on the information referred to in the previous paragraph, the CRAV shall prepare a detailed description of the responsibilities and functions to be performed by each member of the BoD and SC and the skills and professional experience required for the purpose.
53. The CRAV is also responsible for maintaining an updated list of potential MOAF candidates who, according to the information available, are able to comply with the provisions of sub-sections E.2. Requirements of Good Repute to E.5. Requirements of Availability, and whose characteristics are compatible with the functions defined according to the preceding paragraph.
54. In drawing up the list of potential candidates, the CRAV shall consider both potential employees with high potential and external candidates.



55. In drawing up the list referred to in paragraph 52, the CRAV need not contact the persons to be included in such list, in particular to assess their availability, except where there is a real need for the appointment thereof.

J. Transitional Provisions

56. By November 2024, the Bank shall formalise a succession policy in accordance with the EBA/GL/2021/05 guidelines and the Banco de Portugal Notice 3/2020, which, taking into account the needs assessment referred to in paragraph 51, includes the identification and detailed description of job profiles, namely the organisational role of the position, the main responsibilities and interactions, as well as the academic training, professional experience and management skills or specific skills required, as well as the procedures to be adopted for the identification of potential successors and the procedures foreseen in the event of succession due to an unexpected event.
57. The identification of needs provided for in paragraph 53 shall take place within three months of the entry into office of the bodies elected for the 2024-2026 term of office.

