
**Internal Policy for
Selection and
Evaluation of
Members of the
Administrative and
Supervisory Bodies
and the Holders of
Essential Functions**

June 29, 2021



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Internal Policy for selection and evaluation of members of the Administrative and Supervisory Bodies and the Holders of Essential Functions

General Assembly

Version Index

date	version	description
May 2015	1.0	Creation of the document.
May 2017	2.0	Integration of the document into the bank's new documentary structure and clarification of the selection process.
May 2018	3.0	Withdrawal of references to the ROC, because it is a matter dealt with in the ROC/SROC Selection Regulations and the Contracting of Different Audit Services; Inclusion of minimum gender diversity requirement for MOAF; Change in the selection competence of ETS, when performing activities within the framework of internal control functions.
May 2019	4.0	Definition of criteria for the determination of ETs and the process of their adequacy reassessment.
Jun.2020	5.0	Change in qualification and availability requirements; Review of procedures in case of collective inadequacy; Modification of the periodicity of the reassessment of the MOAF.
Jun.2021	6.0	Adaptation to the bank's current documentary structure. Reference to the mandatory assent of the Fiscal Council in the case of replacement of those responsible for internal control functions. Withdrawal of mention of the need for evaluation of ETs which had not been so in the 12 months prior to 31 May 2019, to the extent that such assessments have already been ensured. Inclusion of the requirement to keep the TFE listing permanently updated. Indication that the repository with candidate information is available not only for consultation by the management body, but also by CRAV. Mention, in the collective evaluation, the complementarity of the competences of its members. Provisions on the needs assessment of the management and supervision body and maintenance of listing of potential candidates. Inclusion of new transitional arrangements.

Owner

General Assembly

Contributors

Evaluation and Remuneration Committee, Board of Directors

Approval

General Meeting on June 29, 2021

Version

6.0

Banco Carregosa Code

Strategy and Organization | 1.02

Entry into force

June 30, 2021

Scope of Distribution

Public

I. Legislative Sources and Reference Documents

1.01- Social Pact of Banco L. J. Carregosa, S.A.;

Notice No. 3/2020 from Banco de Portugal;

Guidelines on internal government (EBA/GL/2017/11);

Guidance on assessing the suitability of members of the management body and holders of key functions (EBA/GL/2017/12);

General regime of credit institutions and financial corporations, approved by Decree-Law No. 298/92.

II. Definitions, Abbreviations and Acronyms

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

Employees: any person with ties of subordination to the Bank, regardless of the hierarchical function or the nature and duration of the bond, covering, in accordance with the applicable legal, regulatory or contractual provisions, the representatives, commissioners and other service providers on a permanent or occasional outsourcing basis.

CA: Board of Directors.

EC: Executive Committee.

CRAV: Remuneration and Evaluation Committee, in charge of the General Meeting to carry out the evaluation of moaf, and is also responsible for defining the remuneration of MOAF.

DC: Compliance Department.

CPD: Department of People and Culture.

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

MOAF: any effective or alternate member of the Board of Directors or the Bank's Supervisory Body;

Board of Directors: the Bank's Board of Directors.

Supervisory Body: the Bank's Supervisory Board.

Policy: the Internal Policy for The Selection and Evaluation of the Adequacy of The Members of the Administrative and Supervisory Bodies and the Holders of Essential Functions.

TFE: Holders of Essential Functions, paragraph 8.

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A. General Principles

1. This Internal Policy for the Selection and Evaluation of the Adequacy of the Members of the Administrative and Supervisory Bodies and the Holders of Essential Functions of Banco Carregosa is approved by the General Meeting.
2. The Bank shall have, at all times, a set of Employees and Bodies that, due to their skills, qualifications, professional experience, suitability and availability, is appropriate to the performance of their duties.
3. There can be no form of gender discrimination in access to MOAF and in the contracting or promotion of TFE.
4. It should be made for the administrative and supervisory bodies to include elements of both genders at each moment.
5. Banco Carregosa provides MOAF and TFE with access to means of developing their professional skills, in particular through training appropriate to the correct performance of their duties.
6. The Bank shall ensure the means for full understanding and compliance with the Bank's internal regulations, including the Code of Conduct and conflict-of-interest rules, on the part of moaf and TFE.

B. Subjective Scope

7. Suitability, professional qualification, independence and availability must be measured in relation to both MOAF and ETS.
8. TFE is considered to be employees who perform the following functions:
 - i. Central Director;
 - ii. Chief Financial Officer;
 - iii. Responsible for the internal audit function;
 - iv. Responsible for the *compliance function*;
 - v. Responsible for the risk management function;
 - vi. Responsible for regulatory compliance with the prevention of money laundering and terrorist financing.
9. TFE is also considered as any Employee who, cumulatively, earns total remuneration that exceeds the sum of the average total remuneration of non-MOAF Employees with twice their standard deviation and, in the current performance of their activity:

- i. It practices material or legal acts that bind the Bank;
- ii. Issues orders, instructions or other indications to the Bank's employees and employees;
- iii. Issues binding opinions with internal effectiveness for a generalised set of recipients;
- iv. Makes strategic decisions;
- v. Takes decisions on internal organisation;
- vi. It is continuously delegated to the bank's specific management or management powers.

10. Each year, the CPD checks which employees fall within the minimum remuneration referred to in paragraph 9, communicating their listing to the EC and the DC.

11. All Employees who comply with the minimum remuneration expressed in the preceding paragraph are subject to a dossier evaluating the status of TFE, to be prepared by the EC.

12. For all employees identified in accordance with paragraphs 8 and 9, the DC shall keep permanently updated a list with their names, functions, assessment of the applicability of classification in accordance with paragraph 9 and, if considered TFE, on the date of its last evaluation, as well as on the structure unit that carried it out.

C. Skills

13. The assessment of the adequacy of THE MOAF is the responsibility of CRAV.

14. The assessment of the adequacy of the TFE is the responsibility of the CA, which delegates this responsibility to the EC in relation to the Employees who depend on it.

15. For ETS performing internal control functions, the responsibility for assessing adequacy cannot be delegated by the CA to its EC.

16. In the cases referred to in the preceding paragraph, the Supervisory Board should be heard.

17. The replacement of the person responsible for the internal control function is only possible after the assent of the Supervisory Board.

D. Application and Selection Processes

18. The MOAF are elected by the Bank's shareholders, meeting at the Shareholders' General Meeting.

19. Members of the Board of Representatives may, in the special cases provided for in Article 393 of the Commercial Companies Code, be designated by co-optation and this decision shall be ratified at the next General Meeting.

20. The appointment of TFE is the responsibility of the CA or the EC, in relation to employees who depend on it.

21. The persons referred to in paragraphs 18 and 19 shall refer to the CRAV and the persons referred to in paragraph 20 to the AC or the EC, as applicable, the following elements:

- i. Personal data and *curriculum vitae*, containing at least references to the elements required by the legislation and regulations in force;
- ii. Declaration of availability for the performance of duties or for the taking over of positions in social bodies, signed by the candidate or tenderer; in the case of the exercise of essential functions provided for in Article 2(2) (c) to (f) , mention of the exclusivity regime in accordance with Article 9(3) shall be included;
- iii. Certificate of criminal record;
- iv. any written written, personal and professional references by the tenderers and/or duly identified third parties, including employers or contractors and colleagues or employees, on the nature, skills, experience, capacity and competence of the candidates concerned and any aspects that allow their measurement;
- v. Self-assessment of the candidate for the performance of the duties, in accordance at each moment defined by the Bank;
- vi. Other information that the competent body requests to ascertain adequacy.

22. Proposals or applications received in the terms referred to in the preceding paragraph shall be integrated into a repository accessible to the Management Body and CRAV.

E. Evaluation Policy

E.1. General Principles

23. The evaluation policy aims to assess compliance with the principles/objectives referred to in Article 1, in particular, of the requirements of suitability, availability, independence and qualification necessary to ensure the sound and prudent management of the Bank, safeguarding the interests of its clients, depositors, shareholders, workers and other stakeholders.

24. In addition to the individual assessment of the MOAF, CRAV collectively assesses the Body concerned in order to verify the levels of availability and professional qualification required for the performance of their legal and statutory functions in all relevant areas of the Bank's activities, taking into account in particular the complementarity of the members' competences. Weaknesses in the composition of the administrative and supervisory bodies should not question the suitability of a particular member.

E.2. Suitability Requirements

25. Pursuant to Article 30d of the General Regime of Credit Institutions and Financial Corporations ("RGICSF"), the Bank takes into account the usual form of business management by the person concerned, in particular, of the aspects revealing its ability to decide in a judicious and thoughtful manner, the tendency to fulfil its obligations, and the adoption of behaviour compatible with the preservation of market confidence and its protection.

26. The Bank uses the information it deems necessary about the professional past of the person concerned in order to assess his suitability for the exercise of his/her position.

27. In the assessment of suitability, the circumstances allocated in Article 30d(3) of the GSF are considered.

E.3. Professional Qualification Requirements

28. Pursuant to Article 31 of the GSF, the Bank assesses the professional qualifications of persons identified in B | Subjective scope, in order to ensure that they demonstrate the skills, qualifications and theoretical and practical skills for the performance of their duties, in particular with regard to the understanding and management of the risks of a credit institution, the strategic and business planning of the Bank, the legal and regulatory requirements to which the activity is subject and the control and evaluation of control mechanisms.

29. Moaf shall demonstrate that they have the skills and qualifications necessary to carry out their duties, acquired through academic qualification or specialised training appropriate to the position to be held and through relevant professional experience, with duration and levels of responsibility that are in line with the characteristics, complexity and size of the Bank, as well as the risks associated with the activity developed by it.

30. Prior training and experience should be relevant enough to enable the holders of those positions to effectively understand the bank's operation and activity, assess risks to which it is exposed and critically analyze the decisions taken.

31. With regard to training, particular attention should be paid to the level of depth and suitability of the training to act in financial areas/services or other areas relevant to the performance of functions. In general, training in the areas of Banking and Finance, Economics, Management, Law, Administration, Financial Regulation and Quantitative Methods are related to financial services.

32. The executive members of the management body shall have acquired sufficient practical and professional experience in a management or management position, including the management of commercial bodies, for a sufficiently long period, which shall not be less than 5 years. Although they may be considered in the evaluation, short-term or temporary positions are generally not sufficient to presume sufficiently relevant experience and have sustained the development of relevant competences in the field.

33. Non-executive members of the management body and members of the supervisory body shall have the academic and academic and academic skills, qualifications and experience to enable them to carry out a critical assessment of the decisions taken by the EC and to effectively monitor their activity. The experience should preferably have been gained in the exercise of management, supervision or management positions of financial institutions, in order to give them a deep knowledge of the banking business, in particular as regards the requirements for a credit institution in matters of internal government and control, including those related to risk management and internal audit, as well as financial knowledge enabling critical judgments on financial information subject to analysis and approval by the management body.

34. The administrative and supervisory bodies should have, collectively, adequate knowledge, skills and experience, suggesting that complementarity should be given priority among its members.

35. Pursuant to article 3(2) (a) of Law No. 148/2015 of 9 September, which approves the Audit Supervision Legal Regime, the Supervisory Board shall include at least one member with audit or accounting knowledge.

E.4. Independence Requirements

36. In accordance with and considering the situations and criteria described in Article 31a of the RGICSF, the Bank seeks to safeguard the risk of subjection of the persons identified in B | Subjective scope to the undue influence of other persons or entities, promoting the exercise exempt from their powers.

37. The Supervisory Body shall have a majority of independent members within the meaning of Article 414(5) of the Code of Commercial Companies.

E.5. Availability Requirements

38. In assessing the availability of MOAF, account should be taken of the particular requirements of the position and the nature, scale and complexity of the Bank's activity.

39. The CRAV is ruling on the exercise by moafin other entities, assessing not only compliance with independence requirements, but also availability for the exercise of duties at the Bank.

40. The minimum availability periods considered appropriate are as follows:

- i. 40 hours per week for EC members;
- ii. 20 hours per week for the President of the CA;
- iii. 10 hours per week, for the other non-executive members of the BOARD and for the President of the CF;
- iv. 7 hours a week for cf vowels.

41. To the TFE referred to in paragraph 8 (iii) the vi. of paragraph 8, the exclusive professional dedication regime shall apply to the Bank, and may, in exceptional cases, be duly approved by the EC or, where appropriate, by the BOARD, the accumulation of representation, academic, artistic or participation functions in professionals, of interest to the Bank.

F. Reassessment of MOAF

42. The Bank evaluates the requirements described in subsections E.2 | Suitability requirements for E.6 | Availability requirements, at least every two years, and where there is a renewal of the mandates of the MOAF, also taking into account the supervening circumstances described in Section H | Evaluation of supervening circumstances.

G. Periodic reassessment of ETS

43. The Bank evaluates all of its TFE every three years, according to the criteria defined in this Policy.

44. Where, at the time of such a reassessment, the TFE has, in particular by virtue of the procedure for the selection or occurrence of supervening circumstances, been assessed less than 12 months ago, its reassessment shall not be carried out.

H. Evaluation of Supervenient Circumstances

45. Where changes are made in the assumptions on the basis of which the designation has been decided, in particular in the event of facts or circumstances which give doubt as to the fulfilment of the requirements or in the event of serious or repeated non-compliance with the Code of Conduct or the rules for the prevention, communication and resolution of conflicts of interest, the suitability of the persons identified in B | Subjective scope is subject to review.

46. The people identified in B | Subjective scope shall be obliged to communicate to the Bank any facts or circumstances supervening to the designation that alter the content of the information provided in the terms described in D | Application and Selection Processes.

47. If, as a result of the revaluation described in paragraph 45, it is concluded that the facts or circumstances that have come to do affect the verification of the requirements required for the exercise of office and they are not liable for redress, the Employee intended to resign from office, be suspended or removed.

48. Once the situation described in the preceding paragraph has been verified and where appropriate, the Social Body concerned shall be the subject of the assessment provided for in paragraph 24.

49. Where the evaluation results that the body, collectively considered, does not comply with the requirements, corrective measures may include, among others, adjustments of responsibilities between the members of the administrative and supervisory bodies as a whole, to ensure that their collective qualification and experience of the administrative and supervisory body are sufficient.

I. Identification of Potential MOAF Candidates

50. The CA and the CF identify and assess the needs at the level of their composition and organization, including, in the case of the CA, any needs associated with the distribution of Pelouros.

51. On the basis of the information provided for in the preceding paragraph, CRAV shall draw up a detailed description of the responsibilities and functions to be performed by each of the members of the CA and the CF and of the skills and professional experience necessary for this purpose.

52. CRAV is also responsible for maintaining a permanently updated list of potential MOAF candidates who, according to the information at its disposal, are in a position to comply with subsections E.2 | Suitability requirements for E.6 | Availability requirements, as well as having characteristics compatible with the functions defined in accordance with the preceding paragraph.

53. In the preparation of the list of potential candidates, CRAV will consider both potential employees with high potential, or external candidates.

54. For the preparation of the list referred to in paragraph 52, The CRAV does not need to contact the persons to include in that list, in particular to assess their availability, unless the actual need for appointment is found.

J. Transitional Provisions

55. In 2020, the CPD shall carry out the verification provided for in paragraph 10 by 31 July.

56. The list provided for in parágrafo 12 should be drawn up by 30 September 2020 and preceded by the assessment of ETS that have not been in the last three years.

57. The identification of needs provided for in paragraph 50 shall take place within two months of the entry into office of the elected bodies for the 2021-2023 term.

58. The CRAV shall ensure compliance with paragraphs 51 to 52 within three months of obtaining the information provided for in the preceding paragraph.