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**Policy for Selection  
of the Statutory  
Auditor (ROC)/  
Audit Firm (SROC)  
and for Contracting  
Non-Audit Services**

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**23.03.2021**

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# **Policy for Selection of the Statutory Auditor (TOC)/Audit Firm (SROC) and for contracting non-Audit Services**

## **General Meeting**

### **Versions index**

<b>Date</b>	<b>Version</b>	<b>Description</b>
Apr.2018	1.0	Creation of document.
		Renaming document to “Policy”, in line with the description given in Article 38 of Notice 3/2020; Updating legislative sources and reference documents; Describing competences in the policy approval, monitoring and execution; Changes to the information required to assess the ROC/SROC’s financial balance;
Mar.2021	2.0	Amending the list of documents that must be included in the ROC/SROC assessment process; Establishing the criteria to be analysed by the Supervisory Committee (SC) as part of the ROC/SROC assessment; Reviewing the requirements relating to the contracting of audit services which are not specifically banned; Redefining transitional provisions.

### **Proprietorship**

General Meeting

### **Contributors**

Board of Directors, Supervisory Committee and Chair of the General Meeting

### **Approval**

General Meeting, on 23 March 2021

### **Version**

2.0

### **Banco Carregosa Code**

Strategy and Organisation | 1.22

### **Entry into effect**

24 March 2021

### **Scope of distribution**

Public

## I. Legislative sources and reference documents

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Law 148/2015, of 9 September, approving the Legal Framework for Audit Supervision, as amended by Law 35/2018, of 20 July;

Directive 2014/56/EU, of the European Parliament and of the Council, of 16 April 2014, amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

EU Regulation 537/2014, of the European Parliament and of the Council, of 16 April 2014, on specific requirements regarding statutory audit of public interest entities;

Law 140/2015, of 7 September, approving the Articles of Association of the Register of Auditors (*Estatuto da Ordem dos Revisores Oficiais de Contas*);

Legal Framework for Credit Institutions and Financial Companies, approved by Decree-Law 298/92, of 31 December, as amended by the latest version, introduced by Decree-Law 144/2019, of 23 September;

Portuguese Companies Code (*Código das Sociedades Comerciais*), approved by Decree-Law 262/86, of 2 September, as amended by the latest version, introduced by Law 49/2018, of 14 August;

Portuguese Securities Code (*Código dos Valores Mobiliários*), approved by Decree-Law 486/99, of 13 November, as amended by the latest version to date, introduced by Decree-law 144/2019, of 23 September;

Banco de Portugal Order 23/2018, of 5 November, laying down the elements to be submitted by institutions with the application for authorisation to exercise the functions of members of the management and supervisory bodies, and setting the form of presentation thereof;

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;

CMVM regulation 4/2015 (Audit Supervision), published in the Portuguese Official Gazette No 17/2016, Series II, of 26 January 2016, amended by CMVM Regulation 2/2017, published in the Portuguese Official Gazette No 64/2017, 2<sup>nd</sup> Supplement, Series II, of 30 March 2017;

Document 'Joint Understanding of the Insurance and Occupational Pensions Supervisors, Banco de Portugal and CMVM on the articulation of competences between these authorities with regard to the assessment of the ROC/SROC for the exercise of functions in entities subject to the supervision by the ASF (Insurance and Pension Funds Supervisors) or BdP', approved at a meeting of the National Council of Financial Supervisors, of 3 January 2018;

'Answers to frequently asked questions on the entry into effect of the new Articles of Association of the Register of Auditors and the Legal Framework for Audit Supervision', disclosed by CMVM, in a version updated on 9 September 2019

(<https://www.cmvm.pt/pt/AreadoInvestidor/Faq/Pages/FAQs-Auditoria.aspx>);

‘Fit and Proper Questionnaire – ECB Model’, published by the European Central Bank on 14 November 2016;

‘Guide to Fit and Proper Assessments - Updated in May 2018 in line with the joint ESMA and EBA Guidelines on suitability’, published by the European Central Bank in May 2018;

‘Final Guidelines on Internal Governance under Directive 2013-36-EU’ (EBA-GL-2017-11), published by the *European Banking Authority* on 26 September 2017;

‘Joint ESMA and EBA Guidelines on the Assessment of the Suitability of Members of the Management Body and Key Function Holders under Directive 2013/36/EU and Directive 2014/65/EU’ (EBA/GL/2017/12), published by the *European Banking Authority* on 26 September 2017;

Articles of Association of ‘Banco L. J. Carregosa, S.A.’, approved at the General Shareholders’ Meeting.

## II. Definitions, abbreviations and acronyms

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**Bank, Banco Carregosa:** Banco L. J. Carregosa, S.A.;

**GM:** General Meeting (of Banco Carregosa);

**BdP:** Banco de Portugal;

**BoD:** Board of Directors (of Banco Carregosa);

**SC:** Supervisory Committee (of Banco Carregosa);

**CE:** Executive Committee (of Banco Carregosa);

**CMVM:** Portuguese Securities Market Commission;

**CVM:** Portuguese Securities Code;

**CSC:** Portuguese Companies Code;

**DL:** Decree-law;

**EBA:** European Banking Authority;

**EOROC:** Articles of Association of the Register of Auditors;

**ISAs – *International Standards on Auditing*:** established by the *International Auditing and Assurance Standards Board* (IAASB);

**PMAG:** Chair of the General Meeting (of Banco Carregosa);

**Regulation 537/2014:** EU Regulation 537/2014, of the European Parliament and of the Council, of 16 April 2014, on specific requirements regarding statutory audit of public interest entities;

**RGICSF:** Legal Framework of Credit institutions and Financial Companies, approved by Decree-law 298/92, of 31 December;

**RJSA:** Legal Framework of Audit Supervision, approved by Law 148/2015, of 9 September;

**ROC:** Statutory Auditor;

**Company:** Banco L. J. Carregosa, S.A.;

**SROC:** Statutory Audit Firm.

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## 1. Introductory provisions

### 1.1. Scope

1. This Policy lays down the internal control procedures to be observed in the selection of the Bank's Statutory Auditor (ROC)/Audit Firm (SROC), pursuant to and for the purposes of the provisions of Article 16 of Regulation 537/2014, and in the contracting, with the Statutory Auditor (ROC)/Audit Firm (SROC) in office, of permissible non-audit services.

### 1.2. Competences

2. The approval of this Policy shall lie with the General Meeting, on a proposal from the BoD after consulting the SC;<sup>1</sup>
3. The SC shall ensure that the policy is properly implemented in the institution and is periodically reviewed at least every three years;<sup>2</sup>
4. The BoD and the SC, within their spheres of competence, shall ensure that the policy is disseminated internally to all employees, and also disclosed on the Bank's website.<sup>3</sup>
5. Additionally, the SC is responsible for:<sup>4</sup>
  - i. Selecting the ROC/SROC to be proposed to the GM for election and, if applicable, to recommend any justifiable preference for one of them, pursuant to Article 16 of Regulation 537/2014;<sup>5</sup>
  - ii. Checking and monitoring the independence of the ROC and SROC in office, in accordance with the law, including Article 6 of Regulation 537/2014 and Article 78 of the EOROC and, in particular, checking the appropriateness and approving the provision of services other than audit services, pursuant to Article 5 of Regulation 537/2014;<sup>6</sup>
  - iii. For the purposes of the preceding sub-paragraph, and without prejudice to any mid-term review that may be deemed necessary, preparing, on a yearly basis, a report on the analysis of information submitted thereto in compliance with paragraph 83;<sup>7</sup>
  - iv. Informing the BoD of the results of the statutory audit and explaining how it contributed to the integrity of the preparation and disclosure of financial information, as well as the SC's role in this process;<sup>8</sup>
  - v. Monitoring the statutory audits of annual accounts and consolidated accounts, in particular their execution, taking into account any findings and conclusions of the Portuguese Securities Market

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<sup>1</sup> Cf. Notice 3/2020, Article 38(1).

<sup>2</sup> Cf. Notice 3/2020, Article 38(2).

<sup>3</sup> Cf. Notice 3/2020, Article 38(3).

<sup>4</sup> Cf. RJSA, Article 2(m) and (i).

<sup>5</sup> Cf. Law 148/2015, Article 3(3)(f).

<sup>6</sup> Cf. Law 148/2015, Article 3(3)(e).

<sup>7</sup> Cf. Notice 3/2020, Article 39(f).

<sup>8</sup> Cf. RJSA, Article 3(3)(a)

Commission (CMVM), as the competent authority for audit supervision, pursuant to Article 26(6) of EU Regulation 537/2014, of the European Parliament and of the Council, of 16 April 2014;<sup>9</sup>

- vi. Ensuring that all analyses carried out pursuant to the preceding sub-paragraphs are duly reflected in the minutes of the meetings of that body;
- vii. Ensuring that the members of the SC attend training at least every two years on these issues and on the competences assigned to them by law and by this Policy.<sup>10</sup>

### **1.3. Scope of audit services**

- 6. For the purposes of this Policy, the scope of the audit services to be provided by the ROC/SROC to the Bank, or to entities under its control, comprises:
  - i. The performance of all the work necessary for the statutory audit of the Bank, as per the international accounting standards and other applicable legal and regulatory standards, in accordance with the scope set out in Article 44 of the EOROC, namely for the purposes laid down in Article 262(2) and Article 451(1), both of the CSC;<sup>11</sup>
  - ii. The yearly issue of the legal certification of the Bank's separate accounts and, where necessary, of the consolidated accounts, in accordance with the conditions of scope and form set out in Article 45 of the EOROC and in Article 10 of Regulation 537/2014, in particular for the purposes set out in Article 264(5), in Article 289(1)(e), and in Article 451 (2) and (3), all of the CSC;<sup>12</sup>
  - iii. The yearly issue of an additional audit report to be submitted to the SC, in accordance with the conditions of scope and form set out in Article 11 of Regulation 537/2014, in particular for the purposes set out in Article 263(5) of the CSC and in Article 245(1)(b) of the CVM, with the content set out in paragraph 2 of the latter legal provision;<sup>13</sup>
  - iv. The exercise of any other functions which by law require the specific independent intervention of statutory auditors on certain financial facts related to the bank or entities under its control;<sup>14</sup>
  - v. Other acts specific of the ROC or the SROC, inherent to other public interest tasks ascribed to them by law on an exclusive basis;<sup>15</sup>
  - vi. Other audit work imposed by legal and regulatory provisions, when required for the Bank or entities under its control to comply with such provisions, provided that the provision of these services does not involve risk of infringement of provisions concerning incompatibilities, impediments or duties of independence and prevention of conflicts of interest;

<sup>9</sup> Cf. RJSA, Article 3(3)(d)

<sup>10</sup> Cf. Notice 3/2020, Article 39(h).

<sup>11</sup> Cf. EOROC, Article 44, and CSC, Articles 262(2) and 451(1).

<sup>12</sup> Cf. EOROC, Article 45, Regulation 537/2014, Article 10, and CSC, Articles 263(5), 289(1)(e) and 451(2) and (3).

<sup>13</sup> Cf. Regulation 537/2014, Article 11, CSC, Article 263(5), and CVM, Article 245 (1b) and (2).

<sup>14</sup> Cf. EOROC, Article 41(1)(b).

<sup>15</sup> Cf. EOROC, Article 41(2).

- vii. Other audit work, expressly requested by any public authorities, such as Supervisory Authorities.
- 7. For the purposes of the preceding paragraph, services for which the ROC/SROC do not give an opinion on the accounts in accordance with the ISA standards, in particular the review of financial statements with a limited level of assurance as to the reliability of quarterly, half-yearly or other periodic accounts shall not be considered audit services.<sup>16</sup>
- 8. The provision of permissible non-audit services not included in the preceding paragraph by the ROC/SROC to the Bank and entities under its control shall be governed by the provisions of Section 3. | Non-audit Services.

#### **1.4. Requirements for the selection of the ROC and SROC**

- 9. The suitability to perform the duties of ROC and SROC in the Bank is subject to the evaluation for the exercise of functions and during their term of office.<sup>17</sup>
- 10. For the purposes of the preceding paragraph, the Bank's ROC and SROC shall meet the requirements of good repute, professional qualifications and experience, and independence and availability as provided for in section 1.5 | Good repute to section 1.8 | Availability.
- 11. In addition to the requirements set out in the preceding paragraph, the Bank's ROC or SROC shall also meet the requirements set out in section 1.9 | Scope of Services Available to section 1.11 | Price and Related Conditions.
- 12. The persons to be appointed as ROC and SROC shall submit to the Company, prior to their appointment, all relevant information necessary for the assessment of their suitability in light of the requirements foreseen in the preceding paragraphs, including the information required as part of the authorisation or registration processes with the relevant supervisory authorities.<sup>18</sup>
- 13. The appointees shall notify the Bank of any facts following the appointment or to the authorisation that change the contents of the information provided under the preceding paragraph.<sup>19</sup>
- 14. The SC shall be responsible for checking the requirements set out in paragraphs 9 to 11.<sup>20</sup>
- 15. The SC shall also be responsible for reassessing the suitability those elected to perform the tasks of ROC/SROC whenever, during their office, subsequent facts occur that may hinder compliance with the requirements.<sup>21</sup>

<sup>16</sup> Cf. CMVM, <https://www.cmvm.pt/pt/AreadoInvestidor/Faq/Pages/FAQs-Auditoria.aspx>, points III.8 and III.9.

<sup>17</sup> Adapted from the RGICSF, Article 30(1).

<sup>18</sup> Adapted from the RGICSF, Article 30-A(3).

<sup>19</sup> Adapted from the RGICSF, Article 30-A(4).

<sup>20</sup> Cf. Law 148/2015, Article 3(3)(e) and (3)(f).

<sup>21</sup> Adapted from the RGICSF, Article 30-A(8)

## 1.5. Good repute

16. In assessing good repute, consideration should be given to how the person concerned usually carries out its business, professional or personal, or is engaged in the profession, with regard, in particular, to the aspects that reveal their ability to decide in a judicious and considered manner, or to adopt behaviours compatible with the preservation of market confidence, taking into consideration all circumstances that make it possible to assess their professional conduct to perform the duties involved.<sup>22</sup>
17. The assessment of good repute is made on the basis of objective criteria, based on as much information as possible on the past functions of the candidate for the office of ROC as a professional, the most striking features of their behaviour and the context in which their decisions were made.<sup>23</sup>
18. In assessing the suitability of the Bank's ROC and SROC, account must be taken of, inter alia, the circumstances, evidence or facts set out in Article 148(2) and (3) of the EOROC, and, additionally, the circumstances, evidence or facts set out in Article 30-D, paragraphs (3) to (6) of the RGICSF, *mutatis mutandis*.<sup>24</sup>

## 1.6. Professional qualification and experience

19. ROC and SROC candidates shall demonstrate that they have the competence and qualifications necessary to perform their tasks, acquired 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.<sup>25</sup>
20. Prior training and experience shall be relevant enough to enable the ROC and SROC holders of such positions to understand the Bank's operation and activity, assess the risks to which it is exposed, and critically analyse any decisions taken.<sup>26</sup>
21. The professional qualification and experience shall be assessed based on objective criteria, taking into account the curricular information that is as complete as possible regarding each candidate's past professional functions as ROC and SROC of the Bank.
22. When assessing the SROC's professional qualification and experience, special attention shall be paid to the assessment of the adequacy of human, material and organisational resources required to carry out the SROC tasks in the Bank.

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<sup>22</sup> Adapted from the RGICSF, Article 30-D(1).

<sup>23</sup> Adapted from the RGICSF, Article 30-D(2).

<sup>24</sup> Cf. EOROC, Article 148(2) and (3) and RGICSF, Article 30-D (3), (4), (5) and (6).

<sup>25</sup> Adapted from the RGICSF, Article 31(1).

<sup>26</sup> Adapted from the RGICSF, Article 31(2).

23. When assessing the information referred to in the preceding paragraphs, the Bank may take the steps it deems necessary to verify with other sources the reliability of the information provided by each candidate for the position of ROC and SROC of the Bank.

## **1.7. Independence**

24. The independence requirement aims at preventing the risk of the ROC or the SROC being subject to undue influence of other persons or entities, promoting conditions for the exercise of their powers independently.<sup>27</sup>
25. In assessing the independence of the Bank's ROC and SROC, account must be taken of, inter alia, the evidence or facts set out in Articles 71 and 78 of the EOROC, and, additionally, the circumstances, evidence or facts set out in Article 31-A(2) of the RGICSF, adapted as necessary, with reference to the Bank and the entities under its control.<sup>28</sup>
26. In assessing the independence of the ROC and the SROC, it must also be assessed whether the performance of tasks by the ROC or SROC in other credit institutions, financial companies or other legal persons is likely to affect the exercise of their tasks in the Bank or in the entities under its control, namely due to relevant risks of conflicts of interest arising from the pursuit of such professional activities.<sup>29</sup>

## **1.8. Availability**

27. The availability requirement aims to ensure that the ROC and the SROC have the human resources, time and the necessary means required to carry out their tasks in an adequate, diligent and competent manner in the Bank and the entities under its control.
28. In assessing availability, it must be determined whether the performance of tasks by the ROC or the SROC simultaneously in other legal persons is likely to affect the exercise of their tasks in the Bank or in the entities under its control, namely due to relevant risks of lack of availability arising from the pursuit of such professional activities.<sup>30</sup>

## **1.9. Scope of services available**

29. The assessment of the suitability of any ROC/SROC must allow the assessment of the scope, range and quality and suitability of the services provided by the SROC, including whether they are suitable for providing other audit services referred to in section 1.3 | Scope of Audit Services, and to render other permissible non-audit services as described in section 3 | Non-audit Services.

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<sup>27</sup> Adapted from the RGICSF, Article 31-A(1).

<sup>28</sup> Cf. EOROC, Article 71, and RGICSF, Article 31-A(2).

<sup>29</sup> Adapted from the RGICSF, Article 33(1).

<sup>30</sup> Adapted from the RGICSF, Article 33(1).

30. The scope of services to be provided by the ROC/SROC shall be assessed based on objective criteria, taking into account the curricular information that is as complete as possible regarding each candidate's past professional functions as ROC and SROC.

### **1.10. Compulsory insurance**

31. The assessment of the suitability of the SROC shall take into consideration the sufficiency of coverages for the compulsory third party liability insurance policy, which the SROC is required to take out pursuant to Article 87 of the EOROC.<sup>31</sup>

### **1.11. Price and related conditions**

32. The assessment and selection of the ROC/SROC shall comply with the principle of proportionality, and the price and related conditions proposed shall take into consideration, inter alia, the nature, size and complexity of the activity of the Bank and of the entities under its control, and the requirements and responsibilities associated with the specific tasks to be performed, without prejudice to the principle set out in Article 59(3) of the EOROC.<sup>32</sup>
33. The assessment of the price proposal and related conditions shall cover the provision of the minimum audit services listed in section 1.3 | Scope of Audit Services, as well as the provision of other permissible non-audit services, according to the expected needs of the Bank and entities under its control.
34. In assessing the price proposal and related conditions, the SC shall consult the BoD with regard to the assessment of each application for the exercise of functions of ROC/SROC of the Bank.

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<sup>31</sup> Cf. EOROC, Article 87.

<sup>32</sup> Adapted from the RGICSG, Article 30(5); Cf. EOROC, Article 59(3).

## 2. Selection procedures

### 2.1. Responsibilities of the Chair of the General Meeting

35. In each calendar year in which the election of the ROC/SROC is scheduled to take place, it shall be for the Chair of the General Meeting (PMAG) to set, sufficiently in advance of the date on which the election at the GM is scheduled to take place, but in any case no later than 31 January of the same year, the deadline for receiving the Shareholders' proposals for the application for the exercise of functions as ROC/SROC of the Bank, with all the required documents as provided for in section 2.2. | Proposals and documentary evidence.
36. For the purposes of this Regulation, the PMAG shall also be responsible for:
- i. Receiving and checking the completeness of all application dossiers for the position of ROC/SROC of the Bank, pursuant to section 2.2. | Proposals and documentary evidence;
  - ii. Setting a period for the SC to issue the opinion provided for in section 2.3 | Issuing of opinion by the Supervisory Committee, taking into account the number of application dossiers received, in compliance with the time limit set in paragraph 52;
  - iii. Make every effort to ensure that the information to be provided under the law to the Shareholders regarding the election of the ROC and the SROC by the GM is made available to them in a timely manner, in accordance with legal and statutory requirements.
37. In setting the deadline referred to in paragraph 35 and that provided in sub-paragraph ii) of the preceding paragraph, the PMAG shall take account of the fact that the selection and assessment process, including the issuance by the SC of the opinion provided for in section 2.3 | Issuing of opinion by the Supervisory Committee shall be completed at least 30 days before the date on which the election at the GM is scheduled to take place.<sup>33</sup>

### 2.2. Proposals and documentary evidence

38. One or more Shareholders may propose the election of a ROC/SROC, pursuant to Article 378(1) of the CSC.
39. No Shareholder may propose more than one candidate to carry out the tasks of the Bank's ROC and SROC.
40. Assessment of compliance with the requirements set out in paragraph 38 is based on the updated records in the Company's share register.
41. It shall be incumbent on the proposing Shareholder(s) to arrange with the effective and alternate ROC and SROC to be proposed for election at the GM the preparation of an application dossier, in accordance with the following paragraphs.

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<sup>33</sup> Cf. BdP Circular Letter, ref. CC/2018/0000022, of 5 March 2018.

42. Each application dossier must contain two separate documentary procedures, one concerning the proposed effective ROC/SROC and the other concerning the proposed alternate ROC/SROC.
43. The documents to be furnished with the application dossier concerning the proposed alternate ROC/SROC shall be provided under the same terms and with an equivalent degree of completeness as those concerning the proposed effective ROC/SROC.
44. The application dossier for each proposed ROC and SROC shall be accompanied by the following documents:
  - i. A memorandum with information equivalent to that required under Article 9 of the RJSA for the purposes of registration of the ROC and SROC with the CMVM, along with the documents supporting the information contained therein;<sup>34</sup>
  - ii. A memorandum describing the internal organisation of the ROC/SROC, including, in particular:
    - a. A summary of the policies, procedures and functioning of its internal quality control system;
    - b. Measures intended to remedy any breaches of the legal rules on statutory audit, including those arising from Regulation 537/2014;
    - c. Method for monitoring incompatibilities and impediments;
    - d. Method for following-up non-audit services;
    - e. Method for monitoring the fees in relation to total fees, in accordance with the provisions of Article 77(1) and (3) of the EOROC;
    - f. Procedure for appointing the statutory auditor responsible for the internal quality control of the work;
    - g. Method for monitoring the internal quality control of the work.
  - iii. Detailed curriculum vitae of the ROC and the SROC, containing information equivalent to that provided for in Annex I to BdP Notice 23/2018, adapted as necessary;<sup>35</sup>
  - iv. Mention of the knowledge and experience of the ROC and SROC in IT control assessment;
  - v. Identification of the resources allocated to the work to be carried out and a breakdown of the time dedicated by professional category;
  - vi. Valid and up-to-date criminal record certificates of the ROC and SROC, issued by the relevant authority in the country of origin or by the relevant authority in the country of residence, if different from the former;<sup>36</sup>

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<sup>34</sup> Cf. RJSA, Article 9, and CMVM Regulation 4/2015, amended by CMVM Regulation 2/2017.

<sup>35</sup> Cf. BdP Order 23/2018.

<sup>36</sup> Cf. BdP Order 23/2018.



- vii. Copy of the compulsory third party liability insurance policies required of the ROC and the SROC, in accordance with Article 87 of the EOROC;<sup>37</sup>
  - viii. Questionnaires, duly completed and signed, concerning the ROC and the SROC, in accordance with the model set out in Annex I to BdP Order 23/2018, adapted as necessary;
  - ix. Memorandum justifying the verification of the independence requirements of the ROC and the SROC laid down by law, including the demonstration, regarding the Bank and the entities under its control, of the following:
    - verification of the duties of independence set out in Articles 71 and 73 of the EOROC;<sup>38</sup>
    - verification and documentation of the requirements provided for in Article 78 of the EOROC;<sup>39</sup>
    - non-verification of any of the incompatibilities provided for in Article 89 of the EOROC;<sup>40</sup>
    - non-verification of any of the impediments provided for in Article 91 of said EOROC;<sup>41</sup>
  - x. Copy of the transparency reports of the ROC and the SROC, drawn up pursuant to Article 62 of the EOROC and Article 23 of the RJSA, relating to the last three financial years;<sup>42</sup>
  - xi. Optionally, a memorandum with other information that the ROC or the SROC deem relevant for the appraisal of their application, in particular in relation to the ability to provide permissible non-audit services, pursuant to section 3. | Non-audit Services.
45. Each application dossier for the position of ROC/SROC shall be supported by an application signed by the respective proposing Shareholder(s) and submitted to the PMAG, together with the documentation identified in the preceding paragraph. If applicable, the proponent(s) shall identify the omission or waiver of any document set forth in paragraph 44.
  46. If the ROC or the SROC fails to submit any of the documents identified in paragraph 44, they shall issue a justification for such omission, and may invoke a reasonable reason for such waiver.
  47. The PMAG shall be responsible for verifying, first-hand, the completeness of each application dossier.
  48. Where an application dossier is found to be incomplete, the PMAG shall notify the proponent(s) to ensure that the missing elements are provided within no more than 2 working days, without prejudice to the deadline set out in paragraph 35.
  49. If the deadline granted in accordance with the preceding paragraph expires, the PMAG shall reject the application dossier and notify the proponent Shareholder(s), as well as the SC and BoD of the Bank of such decision in a duly reasoned manner.
  50. If only one application dossier is submitted and concerns the renewal of the term of the ROC/SROC in office, the PMAG, with the prior favourable opinion of the SC, may exempt the respective applicant

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<sup>37</sup> Cf. EOROC, Article 87.

<sup>38</sup> Cf. EOROC, Articles 71 and 73

<sup>39</sup> Cf. EOROC, Article 78

<sup>40</sup> Cf. EOROC, Article 89.

<sup>41</sup> Cf. EOROC, Article 91.

<sup>42</sup> Cf. EOROC, Article 62, RJSA, Article 23, and Regulation 537/2014, Article 13.

from submitting some of the documents provided for in paragraph 44, provided that the Company already has information of similar contents, effectiveness and topicality.

### **2.3. Issue of opinion by the Supervisory Committee**

51. At the end of the period set out in paragraph 35, and without prejudice to the provisions of paragraph 48, the PMAG shall forward to the SC the application dossiers duly completed in accordance with the preceding article.
52. Together with the application dossiers to be forwarded to the SC, the PMAG shall determine the deadline for the SC to issue an opinion as provided for in Article 16(2) of Regulation 537/2014, which shall not be less than 15 days.
53. The SC shall assess the documentation relating to each application dossier and prepare the opinion provided for in Article 16(2) of Regulation 537/2014.
54. Whenever it deems necessary, namely to ensure that the assessment procedure runs smoothly, the SC may request clarification and additional information directly from the ROC or the SROC identified in each application dossier.
55. The Chair of the SC shall inform the PMAG of all requests made to the ROC or the SROC under the provisions of the preceding paragraph, as well as the candidate's response thereto.
56. The time set by the PMAG in paragraph 52 shall be suspended for such periods as the SC establishes for the ROC or the SROC to submit clarifications or additional information.
57. When drawing up its opinion, the SC shall determine how the selection criteria described in the following paragraph have been assessed.
58. The selection criteria considered and their respective weightings are as follows:
  - i. Reputation and technical and professional experience of the service provider in the banking and financial sector – 20%;
  - ii. Curriculum and professional experience of the team providing the services, including assessment of IT control, in particular in work carried out in the banking and financial sector – 20%;
  - iii. Quality and completeness of the proposal presented, in particular with regard to the internal organisation of the ROC/SROC and their quality control system, planning, work methodology and the capacity to comply with deadlines and respond to requests – 20%
  - iv. Capacity to monitor the requirements of independence and prevent conflicts of interest, in order to safeguard the quality of the audit work – 20%;
  - v. Price and other commercial conditions – 20%.
59. In the event of a renewal of the term of the ROC/SROC in office, the SC shall evaluate the performance during the ongoing term of office and any prior terms of office, and also assess the matters provided for in Article 3(d) and (e) of the RJSA.

60. Except where it concerns the renewal of the term of the ROC/SROC in office, pursuant to Article 16(1) and (2) of Regulation 537/2014, the SC's opinion shall contain at least two options for the term of office and state, if the SC considers it desirable, a duly justified preference for one of the options.<sup>43</sup>
61. In assessing each application dossier, the SC may decide, for duly justified reasons, on the ineligibility of the application.
62. In drawing up its opinion, the SC shall observe the requirements of equidistance, independence and impartiality.
63. The opinion of the SC shall expressly state that any recommendation or preference made therein is free from the influence of third parties and that no clause of the type provided for in Article 16(6) of Regulation 537/2014 and in Article 50(3) of the EOROC has been imposed thereon.<sup>44</sup>
64. The SC shall send its final opinion to the PMAG and the BoD, accompanied, as the case may be, by the explanations of vote issued by the members of the SC under the voting concerning its approval.
65. For the purposes of this Regulation, the EC shall, in particular:
  - i. Ensure that, during the 15 days prior to the date of the GM, the opinion issued by the SC, together with any of the explanations of vote referred to in paragraph 64, is available for consultation by the Shareholders at the Company's registered office, together with the other information and documents set out in Article 289 of the CSC, in accordance with the provisions of Article 16(3) of the Company's Articles of Association;
  - ii. Ensure that, at the sitting of the electoral GM, the opinion issued by the SC is made available for consultation by all Shareholders attending the sitting, together with any of the explanations of vote referred to in paragraph 64;
  - iii. Ensure that the PMAG and the SC have all the logistics and operational support necessary to fully implement the procedures set out in this Regulation.

## **2.4. Election of the ROC/SROC by the General Meeting**

66. The presentation to the GM of the proposals for the election of the ROC/SROC shall depend on the initiative of the Shareholders, but may only cover the applications considered eligible in the opinion issued by the SC under to section 2.3 | Issue of opinion by the Supervisory Committee.
67. The PMAG shall verify the conformity of any proposal for the election of the ROC/SROC with the provisions of the preceding paragraph.
68. If any proposal put to the vote by the Shareholders is different from the recommendation or preference declared by the SC, this proposal shall state the reasons why it has not adopted that recommendation or preference.

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<sup>43</sup> Cf. Regulation 537/2014, Article 16(1) and (2).

<sup>44</sup> Cf. Regulation 537/2014, Article 16(6) and EOROC, Article 50(3).

69. If there is more than one proposal put to the vote, the election of the ROC/SROC shall observe the majority voting rules applicable under the law.
70. If the vote results in the election of the ROC/SROC that is not consistent with the recommendation or preference issued by the SC, the minutes of the GM shall explicitly state this, and the PMAG shall ensure that this is done.

### **3. Non-audit Services**

#### **3.1. Prohibited services**

71. The ROC or the SROC conducting the statutory audit of the Bank, or of any member of the network to which such ROC or SROC belongs, is prohibited from providing, directly or indirectly, to the Bank or any entity under its control the non-audit services identified in Article 77(8) of the EOROC and in Article 5(1) of Regulation 537/2014.<sup>45</sup>
72. The prohibition provided for in the preceding paragraph shall be in effect:
- i. for the period running from the start of the audit period and the date on which the corresponding legal certification of accounts is issued;
  - ii. in relation to the services referred to in Article 77(8)e) of the EOROC and Article 5(1)(e) of Regulation 537/2014, also during the financial year immediately preceding the period referred to in the preceding sub-paragraph.<sup>46</sup>

#### **3.2. Provision of permissible non-audit services**

73. The ROC or the SROC in office may only provide permissible non-audit services to the Bank or any entity under its control following the substantiated assent of the SC.<sup>47</sup>
74. For the purposes of the preceding paragraph, the BoD shall request the SC to issue an opinion, accompanied by the following documents:
- i. Characterisation of the services and the grounds for contracting them;
  - ii. Description of the procedures adopted in the selection of the ROC/SROC for the contracted services, namely if such selection was based on a public tender or consultation, or whether it resulted from a direct award, including:
    - in the case of a direct award, the grounds for that choice;
    - in the case of a tender or consultation, information on the conditions of the various tenders and the grounds for that choice;
  - iii. Declaration, issued by the ROC/SROC, that the service in question is not legally classified as a prohibited service and that the award thereof does not threaten their independence, in particular by not creating any situation of self-review, personal interest, representation, familiarity, trust or intimidation;
  - iv. Information on maximum fees due for the execution of the service to be contracted;
  - v. Draft contract or the terms and conditions of the service to be contracted;

<sup>45</sup> Cf. EOROC, Article 77(8), and Regulation 537/2014, Article 5(1).

<sup>46</sup> Cf. EOROC, Article 77(8) and (9), and Regulation 537/2014, Article 5(1).

<sup>47</sup> Cf. Regulation 537/2014, Article 5(4), and EOROC, Article 77(10).

- vi. Information on the total value of the contracts to be awarded to the ROC/SROC that have already been approved in the calendar year to which the application refers;
  - vii. Indication and composition of the network to which the ROC/SROC belong, if applicable.
75. The SC shall authorise the contracting of non-audit services from the ROC/SROC if it concludes that:
- i. The provision of a prohibited service provided for in Article 77 of the EOROC is not at issue;
  - ii. According to the standard of an objective, reasonable and informed third party, the service provision shall not imply a possible threat to the independence and objectivity of the ROC/SROC, in particular by not creating any situation of self-review, personal interest, representation, familiarity, trust or intimidation;<sup>48</sup>
  - iii. The contracting of this service by the Bank or entity under its control complies with the maximum fee legally applicable to the provision of non-audit services, in particular the limits referred to in paragraphs 78 et seq.;
  - iv. The necessary measures to ensure the independence of the ROC/SROC, under the terms defined in the EOROC, are ready to be implemented.
76. The BoD is responsible for ensuring that the contracting of non-audit services complies with the limits defined in sub-paragraph iii) of the preceding paragraph.
77. Should the SC take the initiative to request permissible non-audit services, the contracting thereof shall depend on the prior favourable and duly reasoned decision of the BoD, and the provisions of the preceding paragraph shall apply adapted as necessary.
78. When the ROC/SROC in office provides to the Bank or entities under its control, for a period of 3 or more consecutive financial years, permissible non-audit services pursuant to Article 77(8) of the EOROC, the fees received for the provision of such services shall not be more than 30% of the total amount of fees received by the ROC/SROC and, if applicable, of its parent company and of the entities under its control within the meaning of Article 2(1)(a) of Decree-law 158/2009, of 13 July, as amended by Decree-law 98/2015, of 2 June, and of the consolidated accounts of that group of entities, in the last three financial years.<sup>49</sup>
79. For the purposes of the preceding paragraph:
- i. Non-audit services required by law and provided by the ROC/SROC to the Bank and entities under its control are excluded from the limit;<sup>50</sup>
  - ii. During the referred period, non-audit services must have been provided by the ROC and the SROC to the Bank and entities under its control.<sup>51</sup>
80. When the total fees received from the Bank in each of the last three consecutive financial years are greater than 15 percent of the total fees received by the ROC or by the SROC, or, if applicable, the ROC

<sup>48</sup> Cf. Regulation 537/2014, Article 5(4), and EOROC, Articles 73 and 77(11).

<sup>49</sup> Cf. Regulation 537/2014, Article 4(2), and EOROC, Article 77(1).

<sup>50</sup> Cf. Regulation 537/2014, Article 4(2), and EOROC, Article 77(2).

<sup>51</sup> Cf. Regulation 537/2014, Article 4(2), and EOROC, Article 77(2).

of the group carrying out the statutory audit, in each of those financial years, the ROC or the SROC shall inform the SC thereof and together they shall analyse the threats to its independence and the safeguards to be applied to mitigate such threats.<sup>52</sup>

81. If the limit set out in the preceding paragraph is exceeded, the SC shall assess whether the statutory audit should be subject to a quality control review by another ROC or SROC prior to the issue of the legal certification of accounts.<sup>53</sup>
82. If the fees received by the Bank and entities under its control are greater than 15 percent of the total fees received by the ROC or the SROC or, if applicable, by the ROC of the group carrying out the statutory audit, the SC shall assess and objectively decide whether the ROC and the SROC may continue to carry out the statutory audit for an additional period, which shall not be more than two years.<sup>54</sup>

### **3.3. Reporting obligations to the Supervisory Committee**

83. The ROC and the SROC that audit the Bank's accounts shall<sup>55</sup>:
  - i. Confirm annually in writing to the SC their independence from the Bank;<sup>56</sup>
  - ii. Disclose annually to the SC any additional services provided to the Bank;<sup>57</sup>
  - iii. Discuss with the SC the threats to their independence and the safeguards applied to mitigate those threats as documented by them pursuant to Article 61(5) of the EOROC.<sup>58</sup>
84. The disclosures to which sub-paragraphs i) and ii) of the preceding paragraph refer shall be made prior to the drafting of the legal certification of accounts of the Bank.<sup>59</sup>

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<sup>52</sup> Cf. Regulation 537/2014, Article 4(3), and EOROC, Article 77(3).

<sup>53</sup> Cf. Regulation 537/2014, Article 4(3), and EOROC, Article 77(4).

<sup>54</sup> Cf. Regulation 537/2014, Article 4(3), and EOROC, Article 77(5).

<sup>55</sup> Cf. Regulation 537/2014, Article 6(2) and EOROC, Article 78(2)

<sup>56</sup> Cf. Regulation 537/2014, Article 6(2)(a), and EOROC, Article 63(1)(a).

<sup>57</sup> Cf. Regulation 537/2014, Article 6(2)(b), and EOROC, Article 63(1)(b).

<sup>58</sup> Cf. Regulation 537/2014, Article 6(2)(b), and EOROC, Article 63(1)(c).

<sup>59</sup> Cf. EOROC, Article 63(2).

## **4. Transitional provisions**

85. In 2021, the deadline to which paragraph 35 refers is defined as 31 March.