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BANCO
CARREGOSA

Remuneration Policy for
Members of Management
and Supervisory Bodies

May-2024

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Table of contents

I. Versions Index	v
II. Properties.....	v
III. Legislative Sources and Reference Documents.....	vii
IV. Definitions, Abbreviations and Acronyms	vii
A. Purpose.....	1
B. General Principles.....	1
C. Subjective Scope	1
D. Governance	2
E. Policy Assessment	2
F. Remuneration of the Members of the Management Body	2
F.1.General Principles	2
F.2.Non-Executive Members	3
F.3.Executive Committee	4
G. Remuneration of the Members of the Supervisory Body	5
H. Transitional Provisions.....	6
Annex A. Governance Structure	7

Table of Figures

Table 1 Functions and Responsibilities	7
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Remuneration Policy for Members of Management and Supervisory Bodies

General Meeting

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.
May.2017	3.0	Autonomisation of the remuneration policy for remuneration policy for Members of Management and Supervisory Bodies and of the ROC (Statutory Auditor); include the policy in Banco Carregosa’s new documentation structure.
May.2018	4.0	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”.
Jun.2021	5.0	Adjust the Policy to the RGICSF, the EBA/GL/2015/22 Guidelines and to Banco de Portugal Notice no. 3/2020. Adoption of the recommendations issued by Banco de Portugal.
Jun.2022	6.0	Formal revision of the Policy, including the adoption of the new template of the Bank’s regulations. Update III. Legislative Sources and Reference Documents. Remove reference to how healthcare is provided, which is determined by the CRAV.
Jun.2023	6.1	Amendments related to the composition of the Remuneration Committee. General reference to the applicability of the Supplementary Pension Scheme to the members of the Executive Committee. Deletion of the Transitional Provisions, as they have already been implemented.
May.2024	7.0	Introduction of provisions regarding the variable remuneration of Executive members of the Board of Directors. Change in the frequency of the remuneration of the Chair of the Board of Directors.

II. Properties

Proprietorship

General Meeting

Proponent

Remuneration Committee

Contributors

Compliance Department and People and Culture Department

Approval

The General Meeting, on 29 May 2024

Banco Carregosa Code

Strategy and Organisation | 1.15

Entry into effect

30 May 2024

Scope of Distribution

Public

III. Legislative Sources and Reference Documents

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

1.07 – Organisation and Governance.

1.16 – Employee Remuneration Policy.

Banco de Portugal Notice 3/2020, of 15 July (internal governance and control systems and organisational culture).

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

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

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 under Directive 2013/36/EU (EBA/GL/2021/04), published by Banco de Portugal in Circular Letter CC/2021/00000056.

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

Commission Delegated Regulation (EU) No. 2017/565 of 25 April 2016.

Commission Delegated Regulation (EU) No. 2021/923 of 25 March.

Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June.

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

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

GM: General Meeting.

BoD: Board of Directors.

EC: Executive Committee.

CF: Supervisory Committee.

CRAV: Remuneration and Assessment Committee.

RC: Remuneration Committee.

PCD: People and Culture Department.

ICF: Internal Control Functions.

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A. Purpose

1. As the Bank operates in a sector that is subject to continual change and to major social and technological challenges, it is essential that remuneration practices be designed to contribute to appropriate knowledge management and to induce behaviour consistent with prudent, sound and effective risk management, so as not to encourage excessive risk-taking or promote conflict of interest-inducing situations with clients.
2. This Policy and its implementation shall respect and promote the professional conduct of all members of management and supervisory bodies and shall reflect the principles set out in the Employee Remuneration Policy with regard to equal treatment of clients, best practice remuneration in relation to the sale of products and the avoidance of conflicts of interest with clients.

B. General Principles

3. Through this Policy, Banco Carregosa aims to:
 - i. promote remuneration practices that encourage and are consistent with sound and prudent risk management, as set out in Article 14(1)(i) of the RGICSF;
 - ii. not encourage risk-taking beyond that which the Bank can tolerate;
 - iii. support the Bank's strategy, objectives, values and long-term interests;
 - iv. ensure, without losing sight of best market practices, that the remuneration of the members of Management and Supervisory Bodies is appropriate and proportionate 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;
 - v. support management based on the values of justice and equity, responsibility and transparency, and recognise the effective performance of MOAFs;
 - vi. provide an internal reference of good practices.
4. The Bank structures its remuneration system to ensure an appropriate balance between internal (functional) and external (market) levels, 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, to consolidate a proactive corporate culture, to improve the organisational climate, to encourage competent, responsible and independent behaviour, to promote productivity and the professional fulfilment and satisfaction for all concerned, while not encouraging excessive risk-taking or creating situations of conflict of interest with its clients.
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 create incentives for employees to favour their own interests, or those of the Bank, at the expense of clients.
7. This Policy takes into account the Bank's nature, size, scope and complexity of the Bank's activities.

C. Subjective Scope

8. This Policy applies to the members of the Bank's Management and Supervisory Bodies.

D. Governance

9. The GM is primarily responsible for defining the Bank's Remuneration Policy, without prejudice to the governance structure, functions and responsibilities of all stakeholders as set out in Annex A. Governance Structure.
10. In order to improve the monitoring of the impact of the provisions on remuneration and to monitor compliance with legal and regulatory requirements, the Bank shall establish a Remuneration Committee, as provided for in 1.54 – Remuneration Committee Regulations, which shall be responsible for proposing the revision of this Policy to the GM each year. The proposals of the RC shall be submitted to the GM every year so that they can be discussed at the Annual General Meeting. Other proposals for revision may also be submitted at other times, if and to the extent deemed appropriate by the RC.
11. The governance structure, functions and responsibilities of the GM, the BoD, the CRAV, the RC and the departments involved in the definition and approval of this Policy are described in Annex A. Governance Structure. The governance structure in place and the involvement of the various stakeholders in the Bank's organisation ensure an informal information and control system, based on the principle that "four eyes are better than two", to guard against a large number of conflicts of interest in remuneration matters.

E. Policy Assessment

12. The RC, in consultation with the ICF employees and the PCD, shall assess this Policy on an annual basis and submit it to the GM in order to verify the compliance of the remuneration practices adopted, providing an analysis of the results, in particular their impact on the Bank's risk, capital and liquidity management, as well as the measures necessary to correct any shortcomings identified.

F. Remuneration of the Members of the Management Body

F.1. General Principles

13. The remuneration of the members of the Management Body shall be competitive in relation to their peers, taking into account the size of the business, the operating environment, the surrounding economic conditions, and the Bank's performance.
14. The remuneration of the BoD members shall:
 - i. be aligned with the Bank's strategy;
 - ii. take into account the Bank's performance and sustainability;
 - iii. be based on objectives that encourage compliance with ethical principles and discourage excessive risk-taking or actions that are not in the best interests of clients;
 - iv. be consistent with the interests of the Bank's shareholders;
 - v. be proportionate to the remuneration received by other Bank employees;
 - vi. be consistent with industry practices; and
 - vii. have a sufficiently high fixed component so as not to create inappropriate incentives for short-term gains.
15. With regard to the members of the BoD, the CRAV shall determine the amounts to be borne by the Bank in implementation of the provisions of this Policy in respect of:

- i. components of the relevant remuneration;
 - ii. the terms and conditions of any social security, pension, insurance or other benefit plans;
 - iii. compensation in the event of termination of office of a member of the Management Body.
16. In accordance with Article 43 of Banco de Portugal Notice 3/2020, the Non-Executive Directors receive only fixed remuneration.
17. Executive Directors may or may not receive variable remuneration in order to align their interests with those of the Bank's other stakeholders, namely the shareholders, taking into account sustainability and long-term strategy in line with the business plan and budget, as well as the Bank's risk appetite.
18. The variable remuneration of the executive members of the Board of Directors is subject to criteria and limits that are set and reviewed annually in relation to the year in question.
19. The mitigation of conflicts of interest in remuneration matters is ensured by the following measures:
- i. compliance with this Policy, the legal principles and rules and guidelines issued by the competent authorities, in particular those arising from the RGICSF, the Guidelines on sound remuneration policies (EBA/GL/2021/04) and the Banco de Portugal Notice 3/2020;
 - ii. requirement to define quantitative and qualitative objectives;
 - iii. independence of the majority of the members of the RC, the body responsible for the overall assessment of the Bank's remuneration policies and practices;
 - iv. provision for deferred payment mechanisms and reversal clauses; and
 - v. the setting of limits on the total amount of remuneration to be paid and on individual remuneration.
20. the total amount of the variable remuneration of the executive members of the BoD is decided by the General Meeting on a proposal from the CRAV, after hearing the RC and the RD, on the basis of the performance achieved and the foreseeable liquidity and capital requirements resulting from each of the risks to which the Bank is exposed, and should not exceed 5% of the consolidated net profit for the financial year in question.
21. The remuneration conditions of the members of the Management Body shall be reported to the GM by the RC.
22. When a member of the BoD ceases to hold office, the Bank shall ensure the payment of compensation to the outgoing members, if and to the extent that it is required by law.

F.2. Non-Executive Members

23. The remuneration of non-executive members for the performance of their duties is determined as follows:
- i. the Chair of the BoD receives a fixed monthly remuneration, paid 12 times a year, plus health care;
 - ii. other Non-Executive members receive a fixed monthly remuneration, paid 12 times a year, depending on the availability required and their organisational responsibilities. The requirement to be available for more than 15 hours/week and committee work are particularly relevant in determining the level of remuneration.
24. Travel, representation and living expenses of the Bank's Non-Executive Directors which are necessary for the performance of their duties shall be paid on terms and at amounts commensurate with their statutory position.

25. Social welfare conditions are those resulting from the legal scheme applicable to each member of the BoD.

F.3. Executive Committee

26. The members of the EC receive a fixed annual remuneration paid in 14 monthly instalments. The fixed remuneration is determined according to the organisational responsibility of their duties, e.g. chairing the EC, the required availability and the relevant professional experience of each member.
27. Members of the EC may receive variable remuneration, which does not constitute a commitment or a right in itself and there is no guarantee of payment of any variable amount, irrespective of the Bank's performance.
28. The amount of variable remuneration may vary according to the criteria set out in paragraph 27 and must be directly linked to individual performance, collective performance and/or the Bank's results; it is the responsibility of the CRAV, acting on a proposal from the RC, to determine the objectives, measures and rules for eligibility, assessment and allocation for the year in question.
29. Any grant of variable remuneration must comply with the following basic principles:
- i. payment in cash and/or in the form of flexible benefits;
 - ii. the total value of the variable component of the remuneration shall in no case exceed half of the annual value of the fixed component of the remuneration of the Executive Director;
 - iii. taking into account quantitative and qualitative objectives based on clear and measurable performance indicators, namely those relating to profitability, solvency and capital, liquidity, customer satisfaction levels, promotion of a culture of excellence and compliance with the rules applicable to the Bank's activities and defence of its reputation;
 - iv. the performance during the financial year in question, taking into account the underlying economic cycle and the business risks to which the Bank is exposed;
 - v. if the variable remuneration does not exceed €50,000 or 1/3 of the Executive Director's total remuneration, it will not be deferred. If either of these limits is exceeded, 50% will be paid in the year in which the variable remuneration is calculated and the balance will be deferred and paid in four equal instalments over the following four years;
 - vi. in the event of a decrease in own funds, the amounts deferred in accordance with the previous paragraph shall be adjusted proportionately in line with the development of own funds, taking into account the comparison between the end of the year preceding the payment of the deferred amount and the end of the reference year of the deferred remuneration payment;
 - vii. if the credit quality indicators deteriorate in a financial year compared to the average of the previous three years, the right to receive amounts deferred by the Executive Directors involved in the credit approval and monitoring process will be suspended;
 - viii. without prejudice to applicable civil and labour law, the possibility of a reduction or cancellation of the variable part of the remuneration shall be decided by the CRAV in consultation with the RC, taking into account the following situations:
 - a. Development of the current strategic plan;
 - b. Failure to meet the conditions set for the granting of the variable part of the salary;
 - c. If the CRAV, after obtaining the opinion of the RC, concludes that the person concerned:
 - Participated in or was responsible for an action that resulted in significant losses to the Bank;

- No longer meets the criteria of appropriateness and suitability;
 - Has been responsible for the marketing of financial instruments under inadequate conditions and with a significant negative financial impact on clients;
 - has interfered in the process of granting or monitoring credit in conditions considered detrimental to clients' rights and legitimate interests.
- d. If the Director loses the requirement of suitability, namely due to lack of good repute, in accordance with 1.02 – Internal Policy for the Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holders or with the competent supervisory authority;
- e. Where material sanctions are imposed by the regulatory authority as a result of the serious act or omission of the director concerned;
- f. False statements in the consolidated financial statements;
- g. In the event of resignation or dismissal.
- ix. the mechanisms referred to in the preceding paragraph may be applied up to the date of payment of the variable remuneration in the case of a reduction and up to two years after payment of the variable remuneration in the case of a cancellation.
30. Executive Directors are prohibited from entering into any mechanism, whether insurance or otherwise, to cover risk or guarantee remuneration, the purpose of which is to mitigate the effect of the remuneration arrangements set out in this policy, namely the alignment of variable remuneration with risk. The granting of variable remuneration shall be subject to a prior written undertaking by the beneficiary not to make use of or enter into any such mechanisms.
31. In addition to the remuneration set out in the preceding paragraphs, the members of the EC are entitled to the same additional benefits as most employees, in accordance with 1.16 – Employee Remuneration Policy.
32. The additional benefits granted are not discretionary in nature, are not based on performance and are not long-service bonuses.
33. The welfare and pension conditions of EC members shall not differ from those of the other Bank employees, in particular by giving the EC members the possibility of joining supplementary pension schemes under the same conditions as those laid down from time to time for the staff in general.
34. No compensation shall be paid for termination of previous positions.
35. The members of the EC may be members of the governing bodies of other companies, provided that they act on behalf of or in the interests of Banco Carregosa. The remuneration received for such positions shall be included in the total remuneration to be determined by the CRAV.

G. Remuneration of the Members of the Supervisory Body

36. In accordance with the provisions of Article 43 of Bank of Portugal Notice 3/2020, the remuneration of the members of the Supervisory Body shall consist exclusively of fixed remuneration and shall not include any variable component or bear any direct relation to their individual performance, the collective performance and/or the results of the Bank. In this way, any conflict of interest is adequately resolved and the impartial performance of the supervisory, monitoring and control tasks assigned to them is ensured.
37. The CRAV shall determine the amount of the fixed remuneration of each member of the SC. The amount of the fixed remuneration shall be fixed at the beginning of the term of office of the SC and may be reviewed during the term of office if the CRAV so decides for justified reasons.

38. Full members of the SC shall be entitled to a fixed remuneration, paid in 12 monthly instalments, but to no other benefits.
39. The CRAV may decide to grant the alternate member of the SC a fixed remuneration paid in 12 monthly instalments.
40. The CRAV shall also determine the amounts to be paid by the Bank, in accordance with this Policy, as compensation in the event of early dismissal of a member of the SC without just cause.
41. The statutory social welfare conditions for members of statutory bodies shall apply, and no additional welfare scheme is available.
42. The remuneration conditions of the members of the Supervisory Body shall be brought to the attention of the GM by the RC, as part of the annual review of the Policy.

H. Transitional Provisions

43. The change in the frequency of payment of the Chairman's remuneration from 14 to 12 months, in accordance with the revised wording of paragraph 23(i), shall take effect after the CRAV has decided on the new monthly amount of the remuneration.

Anexo A. Governance Structure

Table 1 | Functions and responsibilities

Unit	Functions and responsibilities
General Shareholders' Meeting	<p>Determine the remuneration of the members of the CRAV; To review and approve this Policy on an annual basis; To review, at least once a year, any developments in this Policy submitted to it by the RC; To assess the remuneration of the governing bodies and, where appropriate, the remuneration of the other delegated committees, in particular the CRAV. To decide on the total amount of variable remuneration, if any, for the Executive Directors.</p>
Remuneration and Assessment Committee (CRAV)	<p>Without prejudice to what may be determined by the General Shareholders' Meeting, to determine the remuneration of the members of the Management and Supervisory Bodies, as well as that of the members of other Committees set up by the General Meeting, including all the details, in particular payments or criteria for determining the amounts that may be attributed to the members of the body in the event of contract termination. To propose to the General Meeting the total amount of the variable remuneration of the Executive Directors.</p>
Remuneration Committee (RC)	<p>To act in an advisory and supervisory capacity to the Board; To oversee remuneration processes, policies and practices and monitor compliance with this Policy; To assess and make informed and independent judgements on the mechanisms and systems adopted by the Bank to ensure that this Policy properly addresses all types of risk, liquidity and capital levels, and that the overall remuneration policy is consistent and promotes sound and effective risk management and is in line with the business strategy, objectives, corporate culture and values and long-term interests of the Bank; Where applicable:</p> <ul style="list-style-type: none"> • Assess compliance with performance targets and the need for <i>ex-post</i> risk adjustment, including the application of Malus and, where applicable, clawback mechanisms; • Analyse a range of plausible scenarios to test how remuneration policies and practices respond to external and internal events; • At least once a year, coordinate an evaluation of this policy and its implementation; • Oversee the selection of external consultants to address remuneration issues that appear to conflict with this Policy and review the findings of external consultants.
Departamento de Pessoas e Cultura	<p>Support the RC in its tasks, particularly in the area of remuneration.</p>
Departamento de Risco	<p>Within the scope of its functions, to provide elements for the determination of global bonuses, performance criteria and remuneration allocations where this may involve relevant risks; To report on the definition of appropriate risk-adjusted performance measures and contribute to the assessment of</p>

Unit	Functions and responsibilities
Compliance Department	<p>the impact of the variable remuneration structure on the Bank's risk profile and culture;</p> <p>Validate and evaluate risk adjustment data and mechanisms as defined by the Bank.</p>
Internal Audit Department	<p>Analyse the consistence of the Policy with the Bank's regulations, internal policies and risk culture;</p> <p>Communicate to the internal structure all compliance risks and non-compliance issues identified and dealt with under this Policy.</p> <p>To conduct an annual independent review, in consultation with the RC, of the design, application and impact of the Policy on the Bank's risk profile and how these impacts are managed.</p>

