
Remuneration Policy of the Members of the Administrative and Supervisory Bodies

June 29, 2021



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Remuneration Policy of the Members of the Administrative and Supervisory Bodies

General Assembly

Version Index

date	version	description
Aug.2016	1.0	Creation of the document.
Jan.2017	2.0	Total recast to ensure compliance with the "Guidelines on sound remuneration policies in accordance with Articles 74(3) and 75, 2 of Directive 2013/36/EU and the disclosure of information in accordance with Article 450 of Regulation (EU) No 575/20 13" (EBA/GL/2015/22), with the "Guidelines on remuneration policies and practices related to the sale and supply of retail banking products and services" (EBA/GL/2016/06) and with the recommendations contained in the "Report on Conduct Risks associated with mis-selling of aphore and investment products" issued by the National Council of Financial Supervisors
May 2017	3.0	Autonomy of the remuneration policy of the Members of the Administrative and Supervisory Body and the ROC and inclusion in the new documentary structure of Banco Carregosa.
May 2018	4.0	Withdrawal of references to the ROC, because it is a matter of treatment in the "ROC/SROC Selection Regulations and The Contracting of Different Audit Services".
Jun.2021	5.0	Adjustment to THE RGICSF, the EBA/GL/2015/22 guideline and the BP 3/2020 Notice; recommendations made by Banco de Portugal.

Owner

General Assembly

Contributors

Department of People and Culture; Compliance *Department*

Approval

General Assembly on June 29, 2021

Version

5.0

Banco Carregosa Code

Strategy and Organization | 1.15

Entry into force

June 30, 2021

Scope of Distribution

Public

I. Legislative Sources and Reference Documents

1.16 - Employee Compensation Policy.

Notice from Banco de Portugal No. 3/2020, of July 15 (Systems of government and internal control and organizational culture).

European Banking Authority Guidance EBA/GL/2015/22: Guidelines on healthy remuneration policies.

European Banking Authority Guidance EBA/GL/2016/06: Guidance on remuneration policies and practices related to the sale and supply of retail banking products and services.

ESMA/2013/606 Guidance of the European Securities and Markets Authority: Guidance on Remuneration Policies and Practices (MIFID)

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

Commission Delegated Regulation (EU) No 604/2014.

Regulation (EU) No 575/2013 (in particular Article 450 thereof).

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

II. Definitions, Abbreviations and Acronyms

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

GA: General Assembly.

CA: Board of Directors.

EC: Executive Committee.

CF: Fiscal Council.

CRAV: Remuneration and Evaluation Committee.

CdR: Remuneration Committee.

CPD: Department of People and Culture.

FCI: Internal Control functions.

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A. Object

1. Since the Bank is inserted in a sector subject to constant changes and major competitive, technological and social challenges, it is imperative to take over remuneration practices that contribute to adequate knowledge management and induce behavior consistent with prudent, healthy and effective risk management, which does not encourage excessive risk-taking or promote situations that generate conflicts of interest with customers.
2. This Policy and its implementation will respect and encourage the professional conduct of all members of management and supervisory bodies and reflect the principles set forth in the Employee Compensation Policy regarding equal treatment of customers, best compensation practices related to the sale of products and prevention of conflicts of interest with customers.

B. General Principles

3. Through this Policy, Banco Carregosa aims to:
 - i. promote remuneration practices that promote and are consistent with sound and prudent risk management, as provided for in Article 14(1)(i) of the GSF;
 - ii. Do not encourage risk-taking at levels higher than those tolerated by the Bank;
 - iii. Support the Bank's long-term strategy, objectives, values and interests;
 - iv. Ensure, without losing sight of the best market practices, that the remuneration of the members of the Administrative and Supervisory Bodies is adequate and proportionate to the size and organization of the Bank, as well as to the nature, scope and complexity of the activities that at any time it develops;
 - v. Support a management based on values of justice and equity, responsibility and transparency, valuing the effective performance of employees;
 - vi. constitute an internal reference of good practice.
4. The Bank structures its remuneration system in order to ensure adequate internal (functional balance) and external (market balance) balances, implementing a functional and performance assessment based on objective criteria and aligned with its risk, capital and liquidity management.
5. The Bank recognizes that remuneration is a fundamental tool for capturing and retaining resources, consolidating a proactive business culture, improving the organizational climate, fostering competent, responsible and independent conduct, promoting the

productivity and professional achievement and satisfaction of those involved, but at the same time not constituting an incentive to take excessive risks or promoting situations that generate conflicts of interest with customers.

6. The Bank's remuneration model must also be based on policies and practices that take into account the rights and interests of customers, ensuring that the various forms of remuneration do not introduce incentives by which employees favor their own interests, or the interests of the Bank, to the detriment of clients.
7. This Policy considers the size of the Bank and the nature, scope and complexity of its activities.

C. Subjective Scope

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

D. Government

9. It is, at first instance, for the MA to define the Bank's Remuneration Policies, without prejudice to the structure of government, functions and responsibilities of all actors, as set out in Annex A.
10. In order to improve the monitoring of the impacts of remuneration arrangements and to monitor compliance with legal and regulatory requirements, the Bank shall establish a Remuneration Committee in accordance with Section H | Transitional Provisions, which are responsible for proposing, annually, to the MA the revision of this Policy. The Proposals of the CoR will be presented annually to the MA, in terms that allow its discussion at the annual meeting of shareholders, and other proposals for revision may also be submitted, at a time different from the annual calendar, if and to the extent that the CoR deems justified.
11. The structure of government, functions and responsibilities of the AG, CA, CRAV, the CoR and the departments involved in the definition and approval of this Policy are described in Annex A. The government structure established and the involvement of various actors of the Bank's organic ensures an internal system of information and control, based on the principle of the "four eyes", which is understood to be a sufficient safeguard of conflicts of interest in the field of remuneration.

E. Policy Evaluation

12. The CoR, in conjunction with the employees of the FCI and the CPD, shall ensure, on an annual basis, the evaluation of this Policy and its submission to the MA, in order to verify the conformity of the remuneration practices adopted, and should include an analysis of the results, in particular on their effect on the bank's risk, capital and liquidity management, and make a descriptive proposal for the measures necessary to address any weaknesses found.

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, attentive to the scale of the business, the operating environment, the economic conditions surrounding and the performance of the Bank.
14. The setting of the remuneration of the members of the CA shall:
 - i. Be aligned with the Bank's strategy;
 - ii. Consider the Bank's performance and sustainability;
 - iii. Be compatible with the interests of the Bank's shareholders; and
 - iv. Ensure proportionality criteria in relation to the remuneration paid by the bank's other employees;
 - v. Be framed with the practices of the sector;
 - vi. Have a fixed component sufficiently high, so that it does not induce inappropriate incentives to demand short-term gains.
15. With regard to the members of the Board of Appeals, CRAV shall define the amounts to be borne by the Bank in execution of the provisions of this Policy as to:
 - i. Components of their remuneration;
 - ii. Conditions of pension or retirement, insurance, and scheme of other possible benefits;
 - iii. Compensation to be adopted in the event of termination of membership of the Management Body.
16. The remuneration conditions of the members of the Management Body are brought to the attention of the Ag by the CdR.

17. In the event of termination of duties of any member of the Board of Staff, the Bank shall ensure that compensation is paid to the outgoing members, if and to the extent resulting from the law.
18. The Bank does not provide that, in the short term, variable component remuneration will be awarded to the members of the Management Body covered by this Policy. If the same is the case, the Bank is already committed to revising this Policy, in accordance with it, including regulations and forecasts capable of incorporating the content and complying with the rules and guidelines in force.
19. The Bank considers that the lack of variable component remuneration and the criteria for determining remuneration identified in paragraph 14 are a major safeguard for the prevention of conflicts of interest in remuneration.

F.2. Non-Executive Directors

20. For the performance of their duties and in accordance with Article 43 of Banco de Portugal Notice No 3/2020, non-executive members receive only fixed remuneration, essentially determined as follows:
 - i. The President of the CA obtains fixed monthly remuneration, pays 14 times a year, plus health care, through contribution to SAMS;
 - ii. The other non-executive members are awarded a fixed remuneration, paid in 12 monthly instalments, according to the required availability and the organizational responsibilities assumed, taking in particular for the purpose of determining remuneration the requirement of availability exceeding 15 hours/week and the exercise of functions in committees.
21. Travel, representation and stay costs of the Bank's non-executive directors are paid, which are necessary for the performance of their duties, under conditions and amounts adjusted to their statutory position.
22. The pension conditions are those resulting from the legal regime applicable to each member of the BOARD.

F.3. Executive Committee

23. EC members are awarded a fixed annual remuneration, paid in 14 monthly instalments. Fixed remuneration is established according to the organizational responsibility of the functions, for example, the ec presidency, the required availability and the relevant professional experience of each member.
24. The remuneration of EC members is composed exclusively of fixed remuneration, not including any component of a variable nature or whose value is in a direct relationship with their individual performance, collective performance and/or the Bank's results.
25. In addition to fixed remuneration, EC members are allocated the same additional benefits that are defined for the generality of employees at each time, in accordance with the Employee Compensation Policy.
26. The additional benefits awarded are not discretionary in nature, do not depend on performance or constitute permanence premiums.
27. There is no differentiation of pension conditions or retirement of EC members in relation to those that are guaranteed to other employees of the Bank.
28. No compensation is awarded for termination of previous functions.
29. After the implementation of the ongoing process of transforming the Defined Benefit Pension Plan into a Defined Contribution Pension Plan, all EC members will be given the opportunity to join the new Plan.
30. EC members may hold social positions in other companies provided that they do so on behalf of or in the interests of Banco Carregosa, and the remuneration it has paid for the exercise of those positions shall be taken into account in the total remuneration to be determined by CRAV.

G. Remuneration of the Members of the Supervisory Body

31. In accordance with the provisions of Article 43 of the Notice of the Bank and Portugal No. 3/2020, the remuneration of the members of the Supervisory Body is composed exclusively of the fixed remuneration, thus not including any component of a variable nature or whose value is in a direct relationship with their individual performance, with the collective performance and/or with the results of the Bank, thus being adequately resolved any conflicts of interest and safeguarding the performance exempt from the tasks of supervision, monitoring and control assigned to them.

32. CRAV determines the value of the fixed remuneration of each cf member. The amount of the fixed remuneration will be determined at the beginning of the cf term of office and may be revised during the term of office if the CRAV so well so fully understands.
33. Cf staff members are assigned a fixed remuneration, paid in 12 monthly instalments, without any other benefit.
34. The alternate member of the CF may be, by determination of the CRAV, awarded a fixed remuneration, paid in 12 monthly instalments.
35. It is also for CRAV to determine the amounts to be borne by the Bank in execution of the provisions of this Policy as to compensation in the event of the dismissal, in advance and without due cause, of any member of the CF.
36. The legally provided pension conditions apply to members of statutory bodies, and any additional pension scheme is available.
37. The remuneration conditions of the members of the Supervisory Body are brought to the attention of the MA by the CoR, within the framework of the annual evaluation of the Policy.

H. Transitional Provisions

38. The CoR will be constituted within 30 days after the start of functions of the Administração Council elected for the 2021-2023 term.
39. Within the period referred to in the preceding paragraph, the Ca shall approve the Regulation of the CoR.

Anexo A. Government Structure

Table 1 | Roles and Responsibilities

Unit	Roles and Responsibilities
Shareholders' General Meeting	<p>Fix the remuneration of CRAV members; Assess this Policy by approving it on an annual basis; assess, at least on an annual basis, all developments of this Policy submitted to it by the CoR; Assess the remuneration of the Governing Bodies and, where appropriate, the other Delegated Committees, in particular the CRAV.</p>
Remuneration and Evaluation Committee (CRAV)	<p>Without prejudice to what is established at the Shareholders' General Meeting, fix the remuneration of the members of the Administrative and Supervisory Bodies, as well as the other Committees that are established by the General Meeting, thereincluding all the details, including all the payments or criteria for determining the amounts that may be attributed to the members of the Body in case of termination of their contracts.</p>
Remuneration Committee (CdR)	<p>Perform advisory and supervisory functions as an advisory body of the management body; Monitor the monitoring of remuneration processes, policies and practices and the monitoring of compliance with this Policy; Assess and formulate informed and independent judgments on the mechanisms and systems adopted by the Bank to ensure that this Policy correctly takes into account all types of risks, liquidity and capital levels, and that the overall remuneration policy is consistent and promotes sound and effective risk management and is in line with business strategy, the Bank's objectives, corporate culture and values and long-term interests; Where appropriate: •assess compliance with performance objectives and the need for ex-post risk adjustment, including the implementation of reduction mechanisms ('malus') and, where applicable and applicable, reversal ('clawback'); •Analyze a set of plausible scenarios to test how remuneration policies and practices react to external and internal events; •Coordinate an evaluation, with minimum annual periodicity, of this Policy and its implementation; •Monitor the choice of external consultants to address the remuneration issues that appear to be in the process of being a contender with this Policy and review the findings of external consulting services.</p>
Department of People and Culture	<p>Support the CoR in its functions, in particular in the remuneration aspect.</p>
Risk Department	<p>provide elements, within the framework of their duties, for the definition of overall premiums, performance criteria and remuneration allocations, to the extent that this may entail relevant risks; Inform about the definition of appropriate risk-adjusted performance measures, as well as participate in the assessment of how the variable remuneration structure affects the Bank's risk profile and culture; Validate and evaluate the data and mechanisms related to risk adjustment in the terms defined by the Bank.</p>
Compliance Department	<p>Review the compliance of this Policy with the Bank's legislation, regulations, internal policies and risk culture; Communicate to the internal structure all compliance risks and non-compliance issues that are identified and dispute with this Policy.</p>
Department of Internal Audit	<p>Carry out, on an annual basis and in coordination with the CoR, an independent analysis of the concept, implementation and effects of the Policy on the Bank's risk profile, as well as how these effects are managed.</p>