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

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27.mai.2015

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CARREGOSA

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

### **VERSIONS INDEX**

<b>Date</b>	<b>Updates</b>
27.May.2015	Initial Version (N221V01)

## Internal Policy for the Selection and Assessment of the Suitability of Members of the Management and Supervisory Bodies and Key Function Holders<sup>1</sup>

### 1. Framework

Pursuant to Article 30-A(2) of the Legal Framework of Credit Institutions and Financial Companies, this document defines the Internal Policy for the Selection and Assessment of the Suitability of the Management and Supervisory Bodies of Banco L. J. Carregosa, S.A., which was established in accordance with the applicable laws and regulations, specifically:

- a) The Legal Framework of Credit Institutions and Financial Companies, approved by Decree-law 298/92, of 31 December, amended and republished by Decree-law 157/2014, of 24 October (RGICSF);
- b) The Guidelines of the European Banking Authority (EBA) GL44, of 27 September 2011, on internal governance for institutions, and EBA/GL/2012/06, of 22 November 2012, on the assessment of the suitability of members of the management and supervisory bodies and key function holders.

The internal policy for the selection and assessment of the suitability of members of the Management and Supervisory Bodies and Key Function Holders takes into account the characteristics and size of Banco L.J. Carregosa.

Being a small institution, the selection of the former is done in close articulation with the Shareholders, who are generally responsible for proposing and electing those members, and, in respect of the Key Function Holders, with the Board of Directors.

In relation to the monitoring and assessment of the suitability of the holders of said positions and functions, they are carried out on a close and regular basis by the non-executive Shareholders as far as the executive directors are concerned, and by the Shareholders who at their ordinary General Meeting assess the management and supervision of the company on an annual basis. In respect of the key function holders, monitoring and assessment is carried out by the executive directors, though not formalised.

Nevertheless, and without losing sight of the specific characteristics and size of Banco L. J. Carregosa, but taking into consideration the recent applicable law and the recommendations of Banco de Portugal on the formalisation of the Bank's internal policy and its implementation as regards the aforementioned matters, the following approach is proposed:

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<sup>1</sup> Approved at the General Shareholders' Meeting on 27 May 2015.

## 2. Definitions

- i. Bank – Banco L.J. Carregosa, S.A.;
- ii. Team – the set of members of the Management Body, the Supervisory Body and their collaborators (including the Key Function Holders).
- iii. Member – any full or alternate member of the Bank’s Management Body or Supervisory Body;
- iv. Executive Member – any member of the Bank’s Executive Committee;
- v. Management Body – the Bank’s Board of Directors;
- vi. Supervisory Body – the Bank’s Supervisory Board and the Bank’s Statutory Auditor;
- vii. Key function holder – those persons who perform frontline functions, that is, who report directly to the Executive Committee or to the area director, in particular those responsible for the Bank’s compliance, internal audit and risk control and management, as well as the holders of other functions defined as such in regulations issued by Banco de Portugal.

## 3. Selection Policy

### 3.1 Principles/Objectives

The Bank’s Principles/objectives are:

- a) To have, at any given time, a Team whose skills, qualifications, professional experience, good repute and availability are suited to their job functions and the Bank’s development;
- b) To ensure non-discrimination on the grounds of gender in terms of access to the Management Body and Supervisory Body and in the hiring or promotion of key function Holders;
- c) To provide, at its own expense, Members and key function Holders with such training as may prove appropriate or convenient for the exercise of their functions and Team buildup;
- d) Ensure that the Bank’s internal regulations are fully understood and met, in particular the code of conduct and the rules on prevention, reporting and settlement of conflicts of interest.

The above principles/objectives guide the selection and assessment of Members and key function Holders.

### 3.2 Selection Process

The following procedure shall be used in the identification and selection process of Members and key function Holders:

- a) Proponents or candidates, as the case may be, must provide the following information together with their proposal or application, either at the level of the Management Body or at the level of the General Meeting:
  - (i) personal information – name, address, age, marital status, number of children – and professional information – education/training, professional experience, positions held to date, languages spoken;

- (ii) declaration concerning the availability for the exercise of Member functions, signed by the applicant;
  - (iii) declaration concerning the availability for the exercise of duties, on a full-time basis, of key function Holders, signed by the applicant;
  - (iv) criminal record certificate;
  - (v) (eventually) written personal and professional character references by proponents and/or identified third parties, namely employers or contracting entities, fellow workers or collaborators about the character, skills, experience, ability and expertise of applicants and of any aspects in support thereof;
- b) The proposals or applications received pursuant to the preceding paragraph will be kept in a database accessible to the Management Body for the identification and selection of members of key function Holders.

### 3.3 Authorities Responsible for the Selection Process

- a) The Board of Directors, if members are to be co-opted, based on the information provided in paragraph 3.2;
- b) General Meeting of Shareholders, based on the information provided in paragraph 3.2, where the co-optation of directors or election of Members is ratified;
- c) Executive Committee, in relation to the key function Holders.

## 4. Statement of Compliance with the Code of Conduct and Rules on the Prevention, Reporting and Settlement of Conflicts of Interest

Upon selection, the Members and key function Holders shall submit a written declaration to the Bank stating their commitment to comply with the code of conduct and the rules on the prevention, reporting and settlement of conflicts of interest.

## 5. Assessment Policy

The assessment policy is aimed at measuring compliance with the principles/objectives referred to above, in particular the requirements of good repute, availability and qualification necessary to ensure the sound and prudent management of the Bank, protecting the interests of its clients, depositors, shareholders, employees and other stakeholders.

## 5.1 Assessment process

### 5.1.1 Members

a) Members will be assessed before they take office (assessment) based on the information collected during the identification and selection process. This assessment will be done during the term of office when there has been a change in the prerequisites on the basis of which the selection was made, in particular where facts or circumstances raise doubts as to whether the requirements are fulfilled or where there has been a serious or repeated breach of the code of conduct or the rules on the prevention, reporting and settlement of conflicts of interest (reassessment). The Members are under the obligation to notify the Bank any facts or circumstances following the appointment that change the content of the information provided under paragraph 3.2 above.

a) The suitability requirements of Members are as follows:

(i) good repute, taking into account the manner in which the person concerned generally manages its businesses and exercises the profession, and aspects that reveal the Member's ability to decide with a great deal of care and the tendency to promptly comply with his or her duties;

(ii) professional qualification, through evidence showing the skills, abilities and theoretical and practical competencies to perform the duties at the Bank, in particular the understanding and management of risks facing a credit institution, the strategic and business planning of the Bank, legal and regulatory requirements to which the activity is subject, and the monitoring and assessment of control mechanisms;

(iii) availability, in the double sense of being available to commit sufficient time to the position and duties undertaken and of being free of conflicts of interest pursuant to holding positions in other companies whose interests may seriously conflict with those of the Bank.

b) If, as a consequence of the reassessment, it is found that the facts or circumstances that have occurred affect compliance with the requirements relevant to the position, and which are not likely to be repaired, the Member shall, as appropriate, resign from employment in such a position, be suspended or dismissed.

c) The suitability of Members is assessed by an assessment committee (CAV) consisting of the Chairman of the Board of Directors, the Chairman of the Supervisory Board and the Chairman of the General Meeting. Where a Member who is part of the CAV is to be reassessed, the CAV will meet and decide without the Member concerned being present.

#### 5.1.2 Key function holders

- a) Key function Holders will be assessed before they take office (assessment) based on the information collected during the identification and selection process for hiring or promotion. This assessment will be done during the term of office when there has been a change in the prerequisites on the basis of which the selection was made, in particular where facts or circumstances raise doubts as to whether the requirements are fulfilled or where there has been a serious or repeated breach of the code of conduct or the rules on the prevention, reporting and settlement of conflicts of interest (reassessment).

Key function Holders are under the obligation to notify the Bank any facts or circumstances following the appointment that change the content of the information provided under paragraph 3.2 above.

- b) The suitability requirements of key function Holders are as follows:
- (i) good repute, *mutatis mutandis* with the good repute requirements asked of Members;
  - (ii) professional qualification, *mutatis mutandis* with the professional qualification requirements asked of Members;
  - (iii) availability, which for these holders means the exercise of duties at the Bank on a full-time basis. In exceptional cases, these holders may accumulate representation or academic functions to their duties.
- c) The Bank's Executive Committee shall be responsible for assessing the suitability of key function holders.

This Policy Statement is available on the Bank's website.