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## Remuneration Policy for Identified Staff

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## 1. Introduction

This Remuneration Policy for Identified Staff that applies to Key Function Holders and to staff that undertake professional activities that have a material impact on Banco Finantia's Group risk profile ("**Remuneration Policy**") is established in consideration to the size, internal organization, as well as the nature, scope and complexity of the activities of Banco Finantia, S.A. ("**Bank**").

Banco Finantia has sought to apply the requirements imposed by the applicable legislation and applicable regulations, taking into account, in particular, the history of its remuneration practices, its business and risk strategy and its corporate culture and values.

Banco Finantia, as the parent company, must promote the adoption of consistent remuneration practices in all entities within the scope of its prudential consolidation and in all branches (together with Banco Finantia hereinafter referred as "**Banco Finantia Group**" or "**Group**"), including, in particular, the Spanish Branch and Finantia UK Limited.

In this context, the terms of this Remuneration Policy apply to staff members of entities within the Group identified as Key Function Holders ("Key Function Holders") and/or as having a significant impact on the entity or the Group's risk profile, with necessary adjustments arising, in particular, from criteria of proportionality, the need for compatibility with the applicable legislation in the respective jurisdictions and/or the adoption of duly justified specific rule.

This Remuneration Policy is transparent and accessible to all employees, including members of the Bank's management and supervisory bodies, in accordance with Article 40(2) of Notice 3/2020.

## 2. Regulatory framework

The Remuneration Policy for Identified Staff considers the following regulatory framework:

- a General Regime of Credit Institutions and Financial Companies, approved by Decree-Law 298/92, of December 31, as amended ("**RGICSF**");
- b Bank of Portugal Notice no. 3/2020 ("**Notice**");
- c Bank of Portugal Instruction no. 18/2020 ("**Instruction**");
- d Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, as amended ("**Directive**");
- e EBA Guidelines on Sound Remuneration Policies (EBA/GL/2021/04) ("**Guidelines**");
- f Chapter 19G da MIFIDORU Remuneration Code of the Financial Conduct Authority ("**FCA**") Handbook.

## 3. Scope of Application

This Remuneration Policy is drawn up for the purposes of article 115-C of the RGICSF and article 40 of the Notice, and applied to staff members identified as Key Function Holders and/or as having a significant impact on the Group's risk profile, in accordance with the internal procedure (hereinafter referred to as "**Identified Staff**"), with the exception of the members of the

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management and supervisory bodies, whose remuneration policy is set out in a separate document (“Remuneration Policy for members of the management and supervisory bodies”).

#### **4. Objectives of the Remuneration policy**

This Remuneration Policy is aligned with Banco Finantia's values of excellence, transparency and integrity, valuing performance and promoting ethical conduct.

The main objectives that the Bank's Board of Directors intends to pursue through this Remuneration Policy are to:

- i** define a simple, appropriate, competitive and gender-neutral remuneration structure that takes into account (i) good market practice, experience, level of responsibility, individual performance and achievement of objectives for Identified Staff (ii) the overall performance of the Bank; (iii) the nature, size and organizational structure of the Bank and the Group; and (iv) the Bank's strategy and objectives, as well as its values and long-term interests.
- ii** attract and retain highly qualified professionals;
- iii** encourage responsible conduct and avoid situations of conflicts of interest;
- iv** promote sound and prudent risk management, including environmental risk factors, social and governance risk factors, which do not encourage risk-taking above the levels tolerated by the Bank.

#### **5. Remuneration Structure and Staff Performance Evaluation**

The objectives and general principles established for staff in the Staff Handbook (“*Manual do Colaborador*”) and the Staff Remuneration Policy (“*Política de Remuneração dos Colaboradores*”) apply to the remuneration structure and performance assessment of Identified Staff, namely for the purposes of determining the possible award of variable remuneration.

##### **5.1 Determination of the Remuneration Structure of Identified Staff**

###### **5.1.1 Award process**

The remuneration of the **Identified Staff** is determined as following:

- i** Staff identified as Key Function Holders who carry out Internal Control Functions: remuneration is determined by the Bank's Remuneration Committee as described below
- ii** Other staff Identified as Key Function Holders: remuneration will be determined under the terms applicable to staff members in general, in accordance with the Staff Remuneration Policy, which is subsequently supervised by the Bank's Remuneration Committee, under the terms set out below.
- iii** Other Identified Staff, including members of staff identified as "material risk takers" under the FCA Handbook: remuneration determined under the terms of the Staff Remuneration Policy.

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### **5.1.2 Role of the Remuneration Committee in the award and oversight of remuneration of Identified Staff**

The Remuneration Committee of Banco Finantia, as the Group's parent company, is responsible for the following in what regards remuneration of Identified Staff:

- i** Determining the remuneration of Identified Staff who carry out Internal Control Functions, in conjunction with the Human Resources Department (HRD), in order to be aligned with the approved remuneration framework, and to ensure compliance with the specific requirements applicable to these staff members, in view of the nature of their role;
- ii** To supervise the allocation of remuneration to the other identified Staff, in order to verify their suitability and compliance with the requirements of the applicable regulations.

### **5.1.3 Remuneration Structure – Fixed Remuneration and Variable Remuneration**

The remuneration of the **Identified Staff** consists primarily of a fixed component, and a variable component may also be awarded, under the terms set out below.

The fixed and variable remuneration must always be adequately balanced, with the fixed component representing a sufficiently high proportion of the total remuneration to allow the application of a fully flexible policy with regard to the application of variable remuneration, including the possibility to not pay any amount as variable remuneration.

The fixed component should take into account the Bank's history and reflects the level of relevant professional experience of the Identified Staff, and the demands associated with the organizational responsibilities as set out in the job description.

The variable remuneration for Identified Staff must take into account financial and non-financial criteria, namely:

- i** the assessment of the Identified Staff's individual performance (with the exception of Identified Staff who perform Internal Control Functions, as detailed below);
- ii** overall results of the Bank and the Group;
- iii** be consistent with sound and effective risk management practices, align with the Bank's current and future risks, including compliance with ESG factors and objectives, if defined by the Bank;
- iv** do not limit the ability of the Bank to maintain and strengthen its capital base;
- v** be sustainable in the light of the Bank's financial situation and duly substantiated on the basis of the assessment of performance of the business unit in which the Identified Staff belongs and of the staff itself;
- vi** the amount of the variable remuneration is awarded in cash, unless specified otherwise in law or regulations;
- vii** not exceed, under any circumstances, the amount of the fixed remuneration.

With specific regard to the attribution of variable remuneration component, it always depends on the assessment of the individual performance of the Identified Staff and the unit it belongs to, on

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a multiannual basis, according to financial and non-financial criteria, except in the case of Identified Staff who perform Internal Control functions (i.e. Compliance, Internal Audit, Risk Management and AML), where this component will only take into account their individual non-financial assessment, taking into account the specific objectives set for the functions they perform, independent of quantitative results of the business areas over which they exercise control functions.

For the purposes of the previous paragraph, the non-financial criteria underlying the assessment of the Identified Staff take into account compliance by the Identified Staff and by the business area under their responsibility or which they supervise, of the rules in force, namely the Code of Conduct (“*Código de Conduta*”), the Conflict of Interest Prevention Policy (“*Política de Prevenção de Conflitos de Interesses*”), the Money Laundering Prevention Policy (“*Política de Prevenção do Branqueamento de Capitais*”), and, where applicable, the other internal rules and procedures defined in the policies and manuals in force.

Identified Staff members shall not be eligible for the assignment of a variable remuneration in the following situations:

- i Have been disciplined with any sanction during the previous or current year;
- ii Other previously defined circumstances by the Board of Directors.

In addition, if the Bank’s performance declines or is negative, and without prejudice to the applicable civil and labor legislation, the variable remuneration to be awarded and the deferred portion of any previously awarded variable remuneration shall be subject to adjustment mechanisms under the terms set out below.

In order to align the Bank's risk and performance on a multiannual basis, variable remuneration awarded, in the event of deferral of the respective payment, is subject to ex-post risk adjustment mechanisms, namely reduction clauses ("malus") and reversal ("clawback").

In this context, and following the occurrence of an extremely significant event, as provided for and defined in paragraphs 12 and 13 of article 115-E of the RGICSF, the Audit Committee, as the supervisory body, may decide to reduce the variable component to adjust according to the results of risk management carried out with regard to specific events, namely:

- i The Bank is held accountable for management acts that result in significant losses for the Bank and in which the Identified Staff has participated or was responsible for such acts;
- ii The decision to award the variable remuneration to the Identified Staff was based on incorrect or inadequate assumptions, namely if non-compliance with non-financial criteria and/or excessive risk-taking;
- iii The Identified Staff has participated in, or was responsible for marketing deals of financial instruments to non-professional investors of financial products or instruments that are not suitable to the clients risk profile;
- iv The Identified Staff no longer meets the suitability and adequacy criteria for their duties;
- v The Identified Staff has severely breached of Code of Conduct (“*Código de Conduta*”) or other internal regulations.

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## **5.2 Performance Evaluation of Identified Staff**

As provided for in the Staff Handbook (“*Manual do Colaborador*”), a formal process is in place for the Annual Performance Evaluation of all staff members, including Identified Staff, using a platform available on the intranet.

The Performance Assessment process begins with a self-assessment by the Identified Staff, based on the general objectives referred to in this Remuneration Policy and the pre-defined criteria for each particular function.

This self-assessment is followed by an individual performance evaluation which, in the case of staff identified as Key Function Holders who perform Internal Control functions, is carried out directly by the Audit Committee and, in the case of the other Identified Staff, is carried out directly by a member of the Board of Directors. In case variable remuneration is awarded, the evaluation process shall be subject to oversight by the Remuneration Committee.

## **6. Benefits**

Benefits may be granted to the Identified Staff members as they are granted to the Bank’s employees.

## **7. Oversight of the Remuneration Policy**

In the approval and revision of this Remuneration Policy, the Human Recourses Department, the Compliance and Risk Management Functions, the Legal Department, as well as the Remuneration Committee, shall be consulted, and are responsible for the following:

### **Human Resources Department:**

- i** ensure the internal consistency and fairness of the Remuneration Policy seeking to ensure retention and attraction of staff members with the necessary skills and experience;
- ii** collect information from the Group’s entities regarding the remuneration of the Identified Staff in order to verify compliance with the terms set out in this Policy;
- iii** coordinate the annual Performance Assessment process.

All the above-mentioned procedures carried out by the Human Recourses Department, must be properly documented and if any irregularities are detected they must be reported to competent body of each entity, as well as to the Bank’s Board of Directors.

**Risk Department:** ensure that the implementation of the Remuneration Policy promotes behaviours in line with the Group’s risk culture and profile and does not jeopardize the capital and liquidity requirements to which it is subject.

**Compliance Department:** oversees if the Remuneration Policy:

- i** is compliant with the regulatory framework (legislations, regulations and internal policies);
- ii** adequately prevents the occurrence of conflicts of interest;

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- iii contains sufficient mechanisms to ensure that the actions of Identified Staff is carried out in a responsible and diligent manner, in compliance with the duties of and promoting a culture in line with the values and principles of the applicable Codes of Conduct.

Each year, in relation to the previous financial year, the Compliance Function ensures that risk-based approach, monitors the procedures adopted within the scope of this Policy, in accordance with the timetable set out in the annual Compliance Plan and under the terms of the procedure manuals approved for this purpose, and the recommendations issued shall be taken into account in the subsequent review of the Policy.

The Remuneration Policy and its procedures shall be disclosed and implemented within the Group and the Compliance Function must ensure that the Bank and all the entities of the Group are coordinated in its disclosure and implementation.

**Remuneration Committee:** conducts an annual, central, internal and independent assessment of the implemented remuneration procedures, in order to verify if they are compliant with the approved policies and remuneration procedures, as well as to evaluate their compatibility with national and international regulations, principles and standards and governance structure, according to the provisions set in paragraph 6 of article 115-C of RGICSF.

The results of such assessment must be included in a report, drawn up under the terms and for the purposes of Article 44 of the Notice, which must set out the measures needed to correct any deficiencies detected and be submitted to the General Shareholders Meeting, the Audit Committee, the Board of Directors, as well as to the, as well as to the competent Supervisory Authority,

**Internal Audit Department:** incorporates in the Internal Audit Activity Plan supervisory actions regarding the implementation of the Remuneration Policy, with the extent and timeframe it deems necessary, on a risk-based approach.

## **8. Approval of the Remuneration Policy**

This Remuneration Policy shall be approved by the Board of Directors after prior consultation of the Audit Committee, and reviewed periodically, at least every 2 years.

This Remuneration Policy will be made available to all staff members on the Bank's intranet and on its institutional website ([www.finantia.pt](http://www.finantia.pt)).