

**Internal procedure for the selection and contracting  
of services to the Statutory Auditor or to the  
Statutory Auditor Companies**

*This is an unofficial translation, prepared for information purposes only, of the proposal of “Internal procedure for the selection and contracting of services to the Statutory Auditor or to the Statutory Auditor Companies”. In the case of any discrepancy between this translation and the Portuguese version of the proposal of “Internal procedure for the selection and contracting of services to the Statutory Auditor or to the Statutory Auditor Companies”, the Portuguese version shall prevail.*

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## 1 Scope and Objective

This Policy ( “Policy”) aims to define the internal procedures adopted by Banco Finantia, SA (“Banco Finantia” or “institution”) relating to the process for the selection and appointment of the external auditors (ROC/SROC) and the contracting of other services to the ROC/SROC, different from the audit and not prohibited, namely in accordance with Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014.

Banco Finantia’s supervisory body will conduct, at Group level, the process for selection of the ROC / SROC of entity included in Banco Finantia’s consolidation perimeter (collectively with Banco Finantia referred to as “Group”), applying for such purpose the procedures provided for in this Policy. Each individual entity within the Group shall conduct the subsequent process to formalise the designation of the ROC / SROC.

Banco Finantia’s supervisory body, as a public-interest entity, is responsible to promote and supervise the independence of the ROC / SROC, namely with regard to the provision of Non-Audit Services to the Group (as defined below).

The application and implementation of the principles established in this Policy, as an integrant part of the institution’s governance system, are, under the terms of article 115-A of the General Regime for Credit Institutions and Financial Companies, the responsibility of the management body, which must take the appropriate measures for its effective application, and the responsibility of the supervisory body that must supervise the respective application.

## 2 Applicable legislation

This Policy is prepared based upon the following applicable legislation:

- > Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014, as amended (hereinafter “Regulation No. 537/2014”);
- > General Regime for Credit Institutions and Financial Companies, as amended (“RGICSF”);
- > Audit Supervision Legal Regime, approved by Law No. 148/2015, of 9 September, as amended;
- > Statute of the Statutory Auditors’ Association, approved by Law No. 140/2015 of 7 September, as amended (also called “EOROC”);
- > Regulation 4/2015, as amended by Regulation 2/2017 of the Portuguese Securities Market Commission;
- > Commercial Companies Code, as amended;
- > Circular Letter from the Bank of Portugal - CC / 2018/00000022;
- > Circular Letter from the Bank of Portugal – CC/2020/00000020;
- > Notice of the Bank of Portugal nº 3/2020.

## 3 Definitions

**Network:** the broader structure which has cooperation as its object, to which a ROC or SROC belongs, and in which any of the following situations is verified: the sharing of profits and costs, the sharing of common ownership, control or management, common internal quality control policies and procedures, a common business strategy, the use of a common brand or of a

significant part of professional resources, as defined in paragraph r) of article 2 of the Audit Supervision Legal Regime;

**Audit Supervision Legal Regime:** means the Audit Supervision Legal Regime, approved by Law No. 148/2015, of 9 September, as amended;

**ROC:** the individual registered with the Statutory Auditors' Association (*Ordem dos Revisores Oficiais de Contas*), in accordance with the Statute of the Statutory Auditors' Association, to carry out statutory audits, as defined in Article 2 paragraph (u) of the Audit Supervision Legal Regime, elected by the General Shareholders' Meeting;

**SROC:** the legal person registered with the Statutory Auditors' Association, in accordance with the Statute of the Statutory Auditors' Association to carry out statutory audits, as defined in paragraph w) of article 2 of the Audit Supervision Legal Regime, elected by the General Shareholders' Meeting;

**Audit Services:** corresponds, under the terms and for the purposes of the provisions of article 42 of the EOROC and in accordance with the CMVM clarifications set forth in the compilation of the "Answers to the most frequently asked questions about the entry into force of the new Statute of the Statutory Auditors' Association and the Audit Supervision Legal Regime", available at the following address: <http://www.cmvm.pt/pt/AreadoInvestidor/Faq/Pages/FAQs-Auditoria.aspx>, to the work carried out by the auditor in accordance with international auditing standards and quality control provisions and other related provision, to the extent relevant to the statutory audit of the accounts, resulting in the issuing of an opinion on: (a) the statutory audit of the accounts, performed in compliance with legal or statutory provision; (b) the voluntary audit of the accounts, performed in compliance with a contractual agreement; and/or (c) services related to those referred to in the previous paragraphs, when they have a specific or limited purpose or scope.

**Permitted Non-Audit Services:** services provided by the ROC / SROC and which provision may be combined with legal review work and which are not deemed, under the terms of this policy, as Audit Services or Prohibited Non-Audit Services, which are listed, by way of example, in Annex I;

**Prohibited Non-Audit Services:** services that cannot be provided by the ROC / SROC (including statutory auditors, their partners and legal entities that are part of the Network to which the audit firm belongs) to the institution or to any other company of the Group, according to article 5 of Regulation No. 537/2014, as per non-audit services listed in Annex II:

#### **4 Responsibilities within the selection, appointment and monitoring processes of the ROC / SROC**

The supervisory body is responsible for assessing the adequacy of the ROC / SROC, and must:

- i identify suitable candidates for ROC / SROC, promoting and leading to such effect the selection process under the applicable legal terms;
- ii submit proposals to the General Assembly for the appointment of the ROC / SROC, or reappointment for term of office, under the applicable legal terms;
- iii monitor the independence and performance of the ROC / SROC;
- iv ensure that this Policy is implemented at Banco Finantia and is subject to periodic reviews;

- v issue a prior opinion on the Policy before it is submitted to the General Meeting.

For the performance of its responsibilities, the supervisory body may resort to the support from other departments, namely from the Accounting, Consolidation and Financial Information Department - which will prepare the necessary documentation for market consultation, send invitations to tender to candidates and coordinate the responses received and clarify issues raised, as well as assist in the evaluation of the proposals received - and the Compliance Department, for purposes of reassessing the adequacy. If necessary, other departments of Banco Finantia may also be involved in supporting the process, such as, the Legal Department.

The management body is responsible for ensuring that the staff and others involved in the selection and nomination process for the ROC / SROC, in reassessment of suitability and in the process of contracting Permitted Non-Audit Services have the necessary levels of competence and knowledge to fulfill their responsibilities, namely through regular training courses.

The management body and the supervisory body are responsible to ensure that this Policy is disclosed internally to all staff, and is disclosed on Banco Finantia's website.

## 5 Selection and Appointment of the ROC/SROC

### 5.1 Consultation and Selection

The Bank's supervisory body is responsible for conducting the audit selection process of the ROC / SROC, at Group level.

The process for the selection, appointment and contracting of a new ROC / SROC should be initiated by the supervisory body during the month of October of the financial exercise prior to the relevant term of office, so as to ensure compliance with the procedures provided for in the applicable legislation and regulations and to ensure that there are no disruptions to the activity.

For purposes of requesting the submission of proposals for Audit Services and Permitted Non-Audit Services, the supervisory body must identify at least three entities, which have conditions to ensure, on their own or through their respective international network, coverage of the auditing and legal certification of financial accounts within the Group.

For purposes of requesting submission of proposals, the provisions of Article 17 (3) of Regulation (EU) must be observed.

The Accounting, Consolidation and Financial Information Department shall prepare the request for submission of proposals, under the coordination of the supervisory body, and must contain at least the following information:

- > description of the size and activity carried out by Banco Finantia and the entities of the Group;
- > the type of statutory audit;
- > the description of the selection criteria applied by the institution to evaluate the proposals submitted for selection of the ROC / SROC, which should be transparent and non-discriminatory, as well as the weight given to each of the criteria set.

The supervisory body shall assess the proposals submitted by the ROC / SROC according to following criteria and subject to the weight given to each criteria as stated in Annex III:

#### > Reputation and integrity

As a principle, the ROC / SROC and its partners are deemed suitable, honest and with the required integrity, unless there are information or indications to the contrary or any reason for doubt.

Reputation and integrity will be assessed on the basis of objective criteria, collecting for such purposes, as possible, sufficient information on previous functions of the ROC / SROC.

**> Incompatibilities, conflicts of interest and independence:**

For the purposes of articles 71 and 89 of the Statute of the Statutory Auditors' Association, specific incompatibility situations must be taken into account, namely economic, financial and family relations maintained with Banco Finantia or any entity of the Group.

All situations that may affect the ROC / SROC will be considered as regards their assessment of independence, in particular performance of other functions.

Within the scope of the ROC / SROC selection process, each candidate must sign a declaration confirming that it fulfills all the requirements to perform the position of ROC / SROC of the Group established by legal rules and regulations and that there are no incompatible situation or impediments to the performance of services, as provided in the Statute of the Statutory Auditors' Association.

Together with the document referred to in the previous paragraph, the ROC / SROC must submit a description of their internal organization, including, at least the following information:

- a synthesis of the policies, procedures and functioning of its internal quality system;
- b the measures considered to remedy possible violations of the statutory auditing rules, including those arising from Regulation No. 537/2014;
- c procedures regarding control of incompatibilities and impediments listed in articles 88, 89 and 91 of the Statute of the Statutory Auditors' Association;
- d procedures regarding monitoring of execution of Permitted Non-Audit Services;
- e the way of monitoring the fees, in particular for Permitted Non-Audit Services, in relation to total fees, pursuant to the applicable legal provisions;
- f the process for appointing the ROC responsible for internal work quality control; and
- g procedure to monitor the internal quality control of the works.

**> Professional experience and technical knowledge, in particular previous experience and implantation in the banking sector:**

Consideration will be given whether the ROC / SROC has an adequate academic qualification and / or specialized training, including knowledge in assessing computer system controls.

The ROC / SROC and its representatives must have sufficient training and practical and professional experience in audit functions, obtained through the exercise of functions for a sufficiently long period, to enable them to understand the operations and activities of the Bank and the entities of the Group, to evaluate the risks to which it is exposed and to critically analyze the decisions taken.

> **Profile, experience and availability of the proposed team:**

The time and the team (disaggregated by professional categories) that the ROC / SROC proposes to allocate to the work to be developed should be indicated and evaluated.

> **Planning and methodology of the work:** organization and functioning of the team, planning of the audit process, methodology of the audit work and reporting of the conclusions of the work.

> **Internal quality control process:**

The ROC / SROC must ensure that it establishes adequate policies and procedures in terms of internal control and knowledge of the matters of all those involved, so that the quality of the audit work is ensured, as determined by article 74 of the EOROC.

The adequacy of the internal organization of the ROC / SROC and its internal quality control system should be taken into account, including, when applicable, the degree of implementation of the measures established to overcome violations of legal standards.

> **Comprehension of the Group's operations and activities**

> **Financial conditions of the proposal:**

Account should be taken as regards: (i) the overall fees for mandatory Audit Services; (ii) the proposed annual fees for Permitted Non-Audit Services; (iii) the indication if the proposed fees include the time that will be spent with any meetings or provision of clarifications to the supervisory entities or other corporate bodies or commissions; (iv) the identification of the expected expenses and the treatment of expenses that may be incurred; (v) possibility of making partial or phased payments, with respect to the same calendar year, in line with the proposed work schedule.

## 5.2 Evaluation report

Except in the case of recommendation for reappointment, a report must be prepared, validated by the supervisory body, with the analysis carried out on the proposals submitted, including the assessment of the criteria and conclusions of the selection process, which must be submitted to the General Meeting, containing at least:

- i two options for appointment of ROC / SROC, and the supervisory body must express a duly justified preference, for one of the options;
- ii verification of the independence of ROC / SROC candidates and an expressed opinion that the proposals are exempt from the influence of third parties and that no clause was imposed that, by contract signed between Banco Finantia, entities of the Group and third parties, limit the choice of the General Meeting.



### 5.3 Appointment and Renewal

Based on the proposal submitted by the supervisory body, the ROC / SROC and the respective alternate are appointed by the General Assembly. If the General Assembly approves a ROC / SROC other than the one recommended by the supervisory body, it must evidence the reasons for such choice in the minutes.

In the event the ROC / SROC is re-appointed to a new mandate, it will be necessary for the supervisory body to reassess the performance of the ROC / SROC, by reference to the exercise and the period of time since the beginning of the previous mandate, as well as the conditions of independence that support the proposal for the renewal of mandate to be submitted by the supervision body to the General Meeting.

The institution must inform the ROC / SROC of its appointment within 5 (five) days.

### 6 Engagement of Non-Audit Services

The engagement of Non-Audit Services, or Audit Services not previously agreed specifically in the ROC / SROC contract, is subject to the prior authorization of the supervisory body.

The services that may be required or requested from the ROC / SROC by the regulatory and supervisory authorities are not included in the calculation of the fee limit applicable to Non-Audit Services (permitted), nor shall they require the prior authorization of the supervisory body.

Requests submitted to the supervisory body regarding the contracting of Non-Audit Services to the ROC / SROC must include:

- > characterization and scope of the additional services to be provided;
- > justification for contracting such services;
- > terms of the proposal for the provision of additional services, namely the schedule for carrying out the service, proposed financial conditions, in particular a reasoned estimate of the amount of fees for the performance of the service, as well as any other relevant conditions;
- > indication and composition of the Network in which the ROC / SROC is inserted;
- > statement by the ROC / SROC that it considers that the award of the Non-Audit Service does not threaten its independence, namely not creating a situation of self-review.

The supervisory body shall authorize the contracting of Non-Audit Services to the ROC / SROC when, after verifying the relevance of the respective fees, and after making an adequate assessment of the threats to independence and the safeguards applied, it considers that:

- > the provision of such service is not a Prohibited Non-Audit Service under the terms of number 1 of article 5 of Regulation No. 537/2014;
- > the provision of such service does not imply a possible threat to the independence of the ROC / SROC;
- > the contracting of the service by the Group does not imply that the amount of Non-Audit Services contracted exceeds 70% of average of the fees paid by the Group to the ROC / SROC, in the last three financial consecutive years, for the services of statutory audit.

For the purposes of this last paragraph, the Permitted Non-Audit Services required by law to be carried out by the ROC / SROC are not included in the calculation of the limit of fees applicable to Non-Audit Services provided by the ROC /SROC.

When the total fees in each of the last three consecutive financial years are greater than 15% of the total fees received by the ROC / SROC from Banco Finantia or any company within the Group in each of those years, the ROC / SROC must inform the supervisory body of that fact and analyze with it the threats to its independence and the safeguards applied to mitigate such threats.

In the cases described in the previous paragraph, the supervisory body should consider whether the audit work should be subject to a quality control review carried out by another ROC / SROC before the issuance of the audit report or legal certification of the accounts.

If the situation described above persist, the supervisory body should assess and decide objectively if the ROC / SROC can continue to carry out the statutory audit for an additional period, which, under no circumstances, may exceed two years.

## **7 Monitoring and Control**

The supervisory body is responsible for monitoring and controlling the statutory audit and other services provided by the ROC / SROC and their representatives, and, for this purpose shall periodically meet and contact the ROC / SROC and their representatives.

Banco Finantia's supervisory body is responsible for verifying and monitoring the independence of the ROC / SROC as provided in applicable legislation, taking appropriate measures to prevent, identify and resolve any situations that may affect the independence of the ROC / SROC appointed at Group-level.

In assessing and evaluating the independence of the ROC / SROC, the supervisory body should adopt the standard of a third party, adopting adequate objective and reasonable criteria.

Under the terms of the applicable legislation, it is the responsibility of the ROC / SROC to audit the accounts of Banco Finantia and to carry out an adequate assessment of threats to its independence and applied safeguards, and:

- a confirm annually in writing to the supervisory body that its partners, as well as its top managers and employees that perform the statutory audit work are independent from the audited entity;
- b communicate annually to the supervisory body all the Non-Audit Services provided, without prejudice to the fact that such services are subject to prior approval by the supervisory body; and
- c to examine with the supervisory body, if applicable, threats to its independence and the safeguards applied to mitigate such threats, documented under the terms of Article 73 (b) of the Statute of the Statutory Auditors' Association.

The supervisory body should regularly monitor the activity of the ROC / SROC, with a view of identifying any situation that may jeopardize their suitability.

Whenever new supervening facts or events determine the need for reassessment, the ROC / SROC's adequacy must be subject to a subsequent assessment executed according to the following procedures:

- a Subsequent assessment of the adequacy of the ROC / SROC should focus on confirming that the ROC / SROC remains adequate, taking into account performance and facts or

- relevant events that led to the need of reassessment and the respective impact on the required adequacy;
- b The ROC / SROC adequacy reassessment is the responsibility of the supervisory body and will be carried out with the support of the Compliance Department;
  - c The ROC / SROC is obliged to immediately inform the supervisory body about any supervening fact that changes or may change the content of the information provided for purposes of its suitability assessment.
  - d The supervisory body must prepare a report with the revaluation of the ROC / SROC, which must include at least a reasoned analysis of the following points: i) description of the supervening facts that occurred in relation to such facts that led to the initial conclusion of adequacy of the ROC / SROC; and ii) availability to perform its duties.
  - e In the event that the supervisory body concludes that the ROC / SROC is not adequate, it is necessary to initiate the required procedures to inform immediately the shareholders and, if necessary, Banco de Portugal, on the measures proposed to resolve the situation.

The Accounting, Consolidation and Financial Information Department is responsible for confirming to the supervisory body, on an annual basis and for purposes of reconciliation, the services contracted by the Group to the ROC / SROC and to their respective Network, as well as the individual and aggregate fees and respective percentages, distinguishing between the Audit Services and the Non-Audit Services.

The supervisory body monitors the activities of the ROC / SROC, namely:

- > Including in its annual report on its activity information concerning the results of the statutory audit and explaining how it has contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role it played in such process;
- > accompanying the statutory audit review of the individual and consolidated annual accounts, namely their execution, taking into account any finding and conclusion issued by the Securities Market Commission (CMVM), as the competent authority for the audit supervision, under the terms of no. 6 of article 26 of Regulation 537/2014.

The supervisory body may, if deemed necessary or convenient, request any head of any department of Banco Finantia for additional information or documentation, as it deems necessary, useful or convenient in order to:

- > assess or classify the services provided;
- > formulate an opinion on the independence of the ROC / SROC.

Within 30 days after the execution of the contract for the provision of public interest functions, Banco Finantia must communicate to the Statutory Auditors' Association:

- > the name of the ROC / SROC; and
- > the nature and duration of the services.

Within 30 days as of a termination of the ROC / SROC contract by the institution, the latter must inform the Statutory Auditors' Association and the CMVM of such termination with indication of the respect underlying grounds.

The ROC / SROC must inform the Securities Market Commission (CMVM) the Non-Audit Services the supervisory body authorizes under the terms of this Policy.

The ROC / SROC designated to perform the statutory audit of accounts are immovable before the end of the mandate, except with their express agreement, in writing, or if there is just cause, and the termination of the contract must be communicated by Banco Finantia to the Statutory Auditors' Association with the express indication of the reasons that justified the respective resolution of contract.

At least 30 days prior to the date of submission of a proposal to the General Shareholders' Meeting for the purposes of election of a new ROC / SROC, the necessary documentation must be sent to the Bank of Portugal to demonstrate the adequacy of the proposals in relation to the requirements set out in the law, including the internal analysis that supports the selection of a new ROC / SROC.

All those involved in the selection and appointment of ROC / SROC and the contracting of Permitted Non- Audit Services must periodically attend training courses on the subject.

## **8 Approval and Review**

The supervisory body is responsible to ensure that Namco Finantia implements adequately this Policy and that this Policy is subject to periodic reviews, at least every two years.

The Legal Department, together with other departments, shall review this Policy and submit it to the supervisory body for it to issue its prior opinion and subsequently submit a proposal for approval of the General Assembly.

The Policy is subject to disclosure to all staff and to publication on Banco Finantia's internet website, within a maximum period of 30 days after approval.

## Annex I

### Permitted Non-Audit Services

1. Services required by law to the ROC / SROC, which include, namely:
  - a Services included in Regulation (EC) No. 809/2004 of 29 April 2004;
  - b Evaluation of the impairment quantification process of the credit portfolio, as required by Bank de Portugal's regulations.
  
2. Services permitted, but not required by law, namely the services contracted by the supervisory body for the purposes of assessing the suitability and effectiveness of the culture organizational structure in force at the institution and its governance and internal control systems, under the terms of paragraph 3 of article 56 of Bank of Portugal Notice 3/2020.

## Annex II

### Prohibited Non-Audit Services

- > Tax advisory services relating to:
  - The preparation of tax returns;
  - Taxes on wages;
  - Customs duties;
  - The identification of public subsidies and tax incentives, unless the support of the ROC / SROC in relation to these services is required by law;
  - Support with regard to inspections by tax authorities, unless the support of the ROC / SROC in relation to such inspections is required by law;
  - The calculation of direct and indirect taxes and deferred taxes;
  - The provision of tax advice;
- > Services that involve any participation in the Group's management or decision-making;
- > The preparation and entry of accounting and account records;
- > Payroll services;
- > The design and application of internal control or risk management procedures related to the preparation and / or control of financial information or the design and application of the computer systems used in the preparation of that information;
- > Valuation services, including valuations relating to actuarial services or litigation support services;
- > Legal services, regarding:
  - Provision of general advice;
  - Negotiation on behalf of the Group; and
  - acting in an advocacy role in the resolution of litigation;
- > Services related to the Group's internal audit function;
- > Services associated with the Group's financing, capital structure and allocation and the Group's investment strategy, except the provision of reliability assurance services relating to the accounts, such as the issuance of "comfort letters" relating to prospectuses issued by the Group;
- > Promotion, negotiation or underwriting of shares in the Group;
- > Human resources services relating to:
  - Management positions that may have a significant influence on the preparation of the accounting records or accounts subject to statutory audit, when these services involve: The selection or search for candidates for such positions; Verification of candidates' references for such positions;
  - The configuration of the organization's structure; and
  - Cost control.

## Annex III

### Weight of the criteria for purposes of classification of proposals

Selection Criteria		Weight (%)
<b>Qualitative Criteria:</b>		
1.	Reputation and integrity	25 %
2.	Incompatibility, conflicts of interest and independence	10%
3.	Professional experience and technical knowledge	10%
4.	Profile and experience of the proposed team	10%
5.	Planning and work methodology	10%
6.	Internal processo of quality control	10%
7.	Comprehension of Group organisation and activity	10%
<b>Quantitative Criteria</b>		
8.	Financial Conditions	15%