



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

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1 Scope and purpose

The purpose of this Policy ("Policy") is to define the internal procedures adopted by Banco Finantia, S.A. ("Banco Finantia", "Bank" or "institution") regarding the process of selection and appointment of external auditors (ROC/SROC) and the contracting of other services to its ROC/SROC, in addition to and distinct from audit services and not prohibited under the terms and for the purposes of the provisions, in particular, of Regulation (EU) no. 537/2014 of the European Parliament and of the Council, of 16 April 2014.

The process of selecting the ROC/SROC of each of the entities included in Banco Finantia's consolidation perimeter (together with the Bank referred to as the "Group") is conducted at Group level by the Bank's supervisory body, applying the procedures set out in this Policy. The subsequent process of formalising the appointment and contracting of the Statutory Auditor/SROC must be carried out at the level of each Group entity.

Banco Finantia's supervisory body, as a public interest entity, is also responsible for promoting and supervising the independence of the ROC/SROC, namely with regard to the ROC/SROC's provision of non-audit services (as defined below) to the Group.

The application and implementation of the principles set out in this Policy, as an integral 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 their effective application, and the responsibility of the supervisory body, which must supervise their application.

2 Applicable legislation

This Policy is based on the following 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");
- > Legal Framework for Audit Supervision, approved by Law no. 148/2015, of 9 September, as amended;
- > Statute of the Order of Statutory Auditors, approved by Law no. 140/2015, of 7 September, as amended (also referred to as "EOROC");
- > Regulation 4/2015, as amended by Regulation 2/2017, of the Portuguese Securities Market Commission;
- > Commercial Companies Code, as amended;
- > Bank of Portugal Circular Letter - CC/2018/00000022;
- > Bank of Portugal Circular Letter - CC/2020/00000020;
- > Bank of Portugal Notice 3/2020.

3 Definitions

Network: the wider structure whose purpose is co-operation, to which an ROC or SROC belongs, and in which one of the following situations occurs: sharing of profits and costs, sharing of common ownership, control or management, common internal quality control policies and procedures, common business strategy, use of a common brand or a significant part of professional resources, as defined in Article 2(r) of the Legal Framework for Audit Oversight;

Legal Framework for Audit Oversight: the Legal Framework for Audit Oversight, approved by Law no. 148/2015, of 9 September, as amended;

ROC/SROC: the natural or legal person registered with the Portuguese Institute of Statutory Auditors, in accordance with the EOROC, to carry out statutory audits, as defined in the Legal Framework for Audit Supervision, who is elected by the General Meeting of Shareholders;

Audit Services: corresponds, under the terms and for the purposes of article 42 of the EOROC, and in accordance with the CMVM's clarifications contained in the compilation of "Answers to frequently asked questions on the entry into force of the new EOROC and the Legal Framework for Audit Supervision", to the work carried out by the auditor in accordance with international auditing standards and quality control standards and other related standards, insofar as they are relevant to the statutory audit, resulting in the issue of an opinion on: (a) the statutory audit, carried out in compliance with a legal or statutory provision; (b) the voluntary audit, carried out in compliance with a contractual obligation; and/or (c) the services related to those referred to in the previous paragraphs, when they have a specific or limited purpose or scope;

Non-audit services: services provided by the ROC/SROC which may be combined with the statutory audit work, including the Non-audit Services Required by Law;

Non-Audit Services Required by Law: services that are required by law of an organisation's Statutory Auditor/SROC, namely the Report on the Credit Portfolio Impairment Quantification Process¹ and the Report on the Safeguarding of Client Assets².

Prohibited Non-Audit Services: services that by law may not be provided by the ROC/SROC (including audit firms, their partners and legal entities that are part of the Network to which the audit firm belongs) to the institution or Group companies (Annex I).

4 Responsibilities in the selection process, appointment and monitoring of ROC/SROCs

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

- i identify suitable candidates for ROC/SROC, promoting and conducting a selection process in accordance with the applicable legal terms;
- ii submit proposals to the General Meeting for the appointment of the ROC/SROC or their reappointment under the applicable legal terms;
- iii monitor the independence and performance of the ROC/SROC;

¹ In accordance with Bank of Portugal Instruction no. 5/2013

² In accordance with the provisions of Article 304-C (4) of the Securities Code

- iv ensure that this Policy is implemented at Banco Finantia and is periodically reviewed;
- v issue a prior opinion on the Policy before it is submitted to the General Meeting.

In order to fulfil its responsibilities, the supervisory body may call on the support of the Bank's services, namely:

- i to the Financial Control Department - which will prepare the necessary documentation for the market consultation, send invitations to candidates to submit proposals, coordinate the response to any questions, and assist in the evaluation of the proposals received.
- ii to the Compliance and Legal Departments for the purposes of the suitability (re)assessment process.

It is the responsibility of the management body to ensure that the people involved in the process of selecting and appointing the ROC/SROC, in the (re)assessment of suitability and in the process of contracting Non-Audit Services, have the necessary levels of competence and knowledge to fulfil their responsibilities, namely by attending regular training courses.

It is the responsibility of the management body and the supervisory body to ensure that the Policy is publicised internally to all employees, as well as on the Bank's website.

The General Meeting is responsible for appointing the ROC/SROC that will provide the Audit Services and the Non-Audit Services Required by Law and for approving this Policy.

5 Selection and Appointment of ROC/SROC

5.1 Consultation and Selection

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

The process of selecting, hiring, and appointing a new ROC/SROC must be initiated by the supervisory body during the month of October of the last financial year of the term in question, in order to ensure compliance with the procedures laid down in the applicable legislation and regulations and to guarantee that there are no disruptions in activity.

To this end, the supervisory body must identify at least three entities to submit proposals for Audit Services and Non-Audit Services Required by Law, which are able to ensure, by themselves or through their respective international networks, coverage of the auditing and auditing needs of the Group's member companies.

For the purposes of inviting tenders, the interregnum period must be respected, in accordance with Article 17(3) of Regulation (EU) No 537/2014.

The invitation to tender must be prepared by the Financial Control Department, under the coordination of the supervisory body, and must contain at least the following elements:

- i description of the size and activity carried out by Banco Finantia and the Group's entities;
- ii the type of statutory audit that will be carried out;

- iii a description of the selection criteria that will be used by the Bank, which must be transparent and non-discriminatory, to evaluate the proposals submitted with a view to selecting the ROC/SROC, as well as the weighting given to each of them.

The supervisory body shall assess the proposals submitted by the ROC/SROC in accordance with the following criteria and taking into account the weightings set out in Appendix II:

> Reputation and integrity:

As a principle, the ROC/SROC and its partners should be considered to be of good repute, honest and upstanding, unless there is information or indications to the contrary or any grounds for doubt.

Reputation and integrity will be assessed on the basis of objective criteria, gathering, as far as possible, complete information on the previous functions of the ROC/SROC.

> Internal organisation, conflicts of interest and independence:

Specific situations of incompatibility must be respected for the purposes of Articles 71 and 89 of the EOROC, namely economic, financial and family relationships with the Bank or any Group entity.

The adequacy of the internal organisation of the ROC/SROC and its internal quality control system should be taken into account, including, where applicable, the degree of implementation of the measures established to overcome infringements of the legal rules on statutory audits.

With regard to assessing the independence of the ROC/SROC, all situations that could affect it are taken into account, in particular the duties carried out by the ROC/SROC.

As part of the consultation process, each candidate should be asked to sign a declaration confirming that they fulfil all the requirements established by law to hold the position of Group Statutory Auditor/SROC and that there is no situation of incompatibility or impediment to the exercise of services.

The declaration referred to in the previous paragraph must also be accompanied by a description of the internal organisation of the ROC/SROC, including at least:

- a a summary of the policies, procedures and mode of operation of its internal quality system;
- b the measures envisaged to remedy any infringements of the statutory audit rules;
- c the ways in which incompatibilities and impediments are checked;
- d the way in which the audit's separate services are monitored;
- e the way in which fees are monitored, in particular with regard to non-audit services in relation to total fees, in accordance with the applicable regulations;
- f the process for appointing the statutory auditor responsible for the internal quality control of the work; and
- g how to monitor the internal quality control of the work.



> **Technical competence and professional experience**, in which the following factors should be taken into account:

- previous experience and experience in the banking sector
- the adequacy of academic qualifications and/or specialised training, including knowledge of evaluating IT controls
- sufficient training and practical and professional experience in auditing functions, obtained by working for a sufficiently long period of time, to enable them to understand the operations and activities of the Bank and Group entities, assess the risks to which it is exposed and critically analyse the decisions taken
- the proposed team, including the academic and professional *curriculum vitae* of the team members, level of seniority (broken down by professional category)

> **Quality of the proposal:**

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 not jeopardised, as determined by article 74 of the EOROC. It should include an assessment of the following aspects:

- **Work planning and methodology:** the methodology proposed by the ROC/SROC for carrying out the services to be provided should be assessed;
- **Time and resources allocated:** the assessment should take into account the time and resources that will be allocated to the work to be carried out, including the availability shown for communication and interaction with the organisation, and the distribution of the time allocated by professional class (including the number of hours expected per professional category).

> **Financial conditions of the proposal:**

The following should be taken into account: (i) the overall value of the Audit Services; (ii) the value proposed for the Non-Audit Services Required by Law; (iii) an indication of whether the proposed fee includes any time spent on meetings or providing clarifications to supervisory bodies or other bodies or committees; (iv) the identification of expected expenses and the treatment of expenses that may be incurred; (v) the possibility of making instalments or phased payments in respect of the same calendar year, in line with the timetable of the proposed work.

5.2 Evaluation report

Except in the case of a recommendation for reappointment, a report must be submitted to the General Meeting, validated by the supervisory body, evaluating the proposals submitted in accordance with the selection criteria, containing at least:

- two options for the ROC/SROC to be appointed, with the supervisory body expressing a preference, duly justified, for one of the options presented;
- verifying the independence of the candidates for ROC/SROC from the Group;

- iii a declaration that the recommended proposal is free from the influence of third parties and that no clause has been imposed which, by contract between the Bank, Group entities and third parties, limits the choice of the General Meeting.

Any recommendation submitted to the General Meeting must be communicated to the Board of Directors.

5.3 Appointment and Reappointment

The ROC/SROC and its alternate are appointed by the General Meeting, based on the proposal submitted by the supervisory body. If the General Meeting appoints an ROC/SROC other than the one recommended by the supervisory body, the reasons for the choice must be set out in the minutes.

In the event of a proposal to reappoint the ROC/SROC for a new term of office, it is the responsibility of the supervisory body to carry out a prior assessment of the ROC/SROC's performance, with reference to the financial year and the time elapsed since the start of the previous term of office, including verification of their independence.

The initial term of office of the ROC/SROC may not be less than one year and the ROC/SROC may not remain in office for more than ten years. After this maximum period, the ROC/SROC may only be appointed after a minimum break of four years.

The institution must notify the ROC/SROC of its appointment within a maximum of 5 (five) days from the date of the General Meeting.

6 Hiring Non-Audit Services

The hiring of non-audit services is subject to prior authorisation by the supervisory body.

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

The grounds for the proposal to the supervisory body regarding the contracting of non-audit services from the ROC/SROC must include at least the following:

- i characterisation and scope of the services to be provided;
- ii justification for hiring them;
- iii terms of the proposal for the provision of services, in particular the timetable for the development of the service, the proposed financial conditions, in particular a reasoned estimate of the value of the fees for the performance of the service, as well as any other relevant conditions;
- iv indication and composition of the network to which the ROC/SROC belongs;

- v declaration by the ROC/SROC that it considers that the award of the Distinguished Audit Service does not threaten its independence, namely by not creating a situation of self-review.

The supervisory body may authorise the hiring of Separate Audit Services when, after carrying out an adequate assessment of the threats to independence and the safeguards applied, it concludes that:

- i there is no question of a Prohibited Audit Service being provided, under the terms of Article 5(1) of Regulation 537/2014, nor is it intended to be provided directly or indirectly by a member of the network in which the ROC/SROC operates;
- ii The total fees due for the services in question do not exceed 70 per cent of the average fees paid for the Group's statutory audit or audits over the last three consecutive financial years, excluding non-audit services for this purpose.

When the total fees received from Banco Finantia or the companies that make up the Group in each of the last three consecutive financial years exceed 15 per cent of the total fees received by the ROC/SROC in each of those years, the ROC/SROC must inform the supervisory body of this fact and analyse with it the threats to its independence and the safeguards applied to mitigate those threats.

In the cases described in the previous paragraph, the supervisory body should consider whether or not the audit work should be subject to a quality control review by another ROC/SROC before issuing the audit report or legal certification of the accounts.

If the situation described above continues, the supervisory body must assess and decide, on the basis of objective reasons, whether 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 it must meet and liaise periodically with the ROC/SROC and their representatives.

Banco Finantia's supervisory body is responsible for verifying and monitoring the independence of the ROC/SROC under the legal terms, and must take the appropriate measures to prevent, identify and resolve any situations that may affect the independence of the ROC/SROC hired 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 appropriate criteria of objectivity and reasonableness.

Under the terms of the applicable legislation, it is the responsibility of the ROC/SROC carrying out an audit of Banco Finantia's accounts, within the scope of the services to be provided, to make an adequate assessment of the threats to independence and the safeguards applied:

- a confirm annually in writing to the supervisory body that its partners as well as its senior managers and the managers carrying out the statutory audit are independent of the audited entity;
- b declare that no Prohibited Non-Audit Services were provided and that they remained independent of the Bank and the Group during the audit;
- c report annually to the supervisory body all Non-Audit Services provided, without prejudice to such services having been subject to prior approval by the supervisory body; and
- d examine with the supervisory body, if applicable, the threats to its independence and the safeguards applied to mitigate those threats, documented in accordance with Article 73(b) of the EOROC.

The supervisory body should regularly monitor the activity of the ROC/SROC in order to identify situations that could jeopardise its suitability.

The subsequent assessment of the ROC/SROC's suitability will be carried out whenever new facts or events arise that determine the need for a reassessment of its suitability and will be carried out in accordance with the following procedures:

- a The subsequent assessment of the ROC/SROC's suitability should focus on confirming that the ROC/SROC continues to be suitable, taking into account performance and the relevant facts or events that led to a reassessment and their impact on the suitability required or that may be required;
- b The reassessment of the ROC/SROC's suitability 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 of any supervening fact that alters or may alter the content of the information provided or its assessment of adequacy.
- d The supervisory body must draw up a report on the re-evaluation of the ROC/SROC, which must include at least a reasoned analysis of the following points: i) a description of the supervening facts that have occurred in relation to the elements that led to the initial conclusion of the ROC/SROC's suitability; and ii) the ROC/SROC's availability to carry out its duties.
- e In the event that the supervisory body concludes that the ROC/SROC is not suitable, procedures should be initiated to immediately inform the shareholders and, if necessary, the Bank of Portugal, of the measures proposed or taken by the Bank to resolve the situation.

It is the responsibility of the Financial Control Department, on an annual basis, to confirm to the supervisory body, for the purposes of reconciliation by the latter, all the awards made by Banco Finantia and the Group companies to the ROC/SROC and the Network to which they belong, as well as the corresponding individual and accumulated fees and respective percentages, distinguishing for this purpose between Audit Services and Non-Audit Services.

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

- a including in the annual report on its activity information on the results of the statutory audit and explaining how it contributed to the integrity of the process of preparing and disclosing financial information, as well as the role it played in that process;
- b monitoring the statutory audit of the annual, individual and consolidated accounts, namely their execution, taking into account any findings and conclusions of the Portuguese Securities Market Commission (CMVM), as the competent authority for audit supervision, under the terms of Article 26(6) of Regulation 537/2014.

The supervisory body may, if it deems it necessary or convenient, request from any of the heads of Banco Finantia's departments additional information or documentation that it considers necessary, useful or convenient for:

- i assess the classification of the services provided;
- ii formulate an opinion on the independence of the ROC/SROC.

Within 30 days of entering into a contract for the provision of services relating to the exercise of functions in the public interest, Banco Finantia must notify the Portuguese Institute of Statutory Auditors:

- a the name of the ROC/SROC; and
- b the nature and duration of the service.

Within 30 days of the institution terminating the ROC/SROC's contract, it must inform the Portuguese Institute of Statutory Auditors and the CMVM of the reasons for this. The ROC/SROC must inform the CMVM of the services it has been authorised to provide by the supervisory body, under the terms of this Policy.

The Statutory Auditors/SROC appointed to carry out the statutory audit are not removable before the end of their mandate, except with their express agreement, expressed in writing, or if there is just cause under the terms of the law, and the termination of the contract must be communicated by Banco Finantia to the Portuguese Institute of Statutory Auditors, expressly stating the reasons for the termination.

At least 30 days prior to the date of submission of the proposal to the General Meeting for the purpose of electing a new ROC/SROC, the necessary documentation must be sent to the Bank of Portugal to demonstrate the suitability 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 process of selecting and appointing the ROC/SROC and contracting Non-Audit Audit Services must periodically attend training sessions on the subject and on the responsibilities conferred on them by law.

8 Approval and Review

The supervisory body is responsible for ensuring that this Policy is properly implemented at the Bank and that it is reviewed periodically, at least every two years.

The Legal Department, in liaison with other departments of the Bank, shall review this Policy in the terms set out above and submit said review to the supervisory body for its prior opinion, which shall then submit the proposed revision of the Policy to the General Meeting for its approval.

This Policy is disseminated internally to all Employees and published on the Bank's website within 30 days of approval.

Annex I - Prohibited non-audit services

- a Tax advisory services relating to:
 - a.1 preparation of tax returns;
 - a.2 taxes on wages;
 - a.3 customs duties;
 - a.4 identification of public subsidies and tax incentives, unless the support of the ROC/SROC in relation to such services is required by law;
 - a.5 support for inspections by the tax authorities, unless the support of the ROC/SROC in relation to such inspections is required by law;
 - a.6 calculation of direct and indirect taxes and deferred taxes;
 - a.7 providing tax advice.
- b Services that involve any participation in the Group's management or decision-making;
- c Drawing up and posting accounting records and accounts, as well as drawing up the sustainability report;
- d Payroll services;
- e The design and implementation of internal control or risk management procedures related to the preparation and/or control of financial information or the design and implementation of IT systems used to prepare this information;
- f Valuation services, including valuations relating to actuarial services or litigation support services;
- g Legal services, in terms of:
 - g.1 general counselling;
 - g.2 negotiating on behalf of the Group; and
 - g.3 exercising representation functions in the context of dispute resolution.
- h Services related to the Group's internal audit function;
- i Services associated with financing, the structure and allocation of capital and the Group's investment strategy, except for the provision of assurance services relating to the accounts, such as the issue of "comfort letters" relating to prospectuses issued by the Group;
- j The promotion, negotiation or underwriting of shares in the Group;
- k Human resources services relating to:

- k.1 management positions likely to have a significant influence on the preparation of accounting records or audited accounts, where such services involve selecting or seeking candidates for such positions or carrying out checks on their references;
- k.2 configuration of the organisation's structure; and
- k.3 cost control.

Annex II - Weighting the criteria for ranking the proposals

ROC/SROC Selection Criteria		Weighting (%)
Qualitative Criteria:		70%
1	Reputation and integrity	10 %
2	Internal organisation, conflicts of interest and independence	10%
3	Technical competence and professional experience	30%
4	Quality of the Proposal: Work planning and methodology and Time and resources allocated	20%
Quantitative Criteria:		30%
5	Financial conditions of the proposal	30%