

## ANNUAL GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.

(10/05/2017)

### PROPOSAL IN CONNECTION WITH ITEM 4 OF THE AGENDA

#### **REMUNERATION POLICY OF MEMBERS OF MANAGEMENT AND SUPERVISION BODIES**

In accordance with the law and the articles of association of Banco Comercial Português, S.A. the Remuneration and Welfare Board (RWB) is responsible for presenting to the approval of the general meeting a proposal on the remuneration policy of the members of the management and supervision bodies.

The RWB, assisted by Mercer Portugal - Recursos Humanos, Lda., drew up the Remuneration Policy for the members of the management and supervision bodies that it now submits to the 2017 General Meeting of Shareholders.

The RWB considers that the Remuneration Policy in Annex I, namely the remuneration plans therein foreseen, is in line with the market's best practices, complying with the domestic and international rules, namely with the requirements mentioned in article 115-C (3) of the Legal Framework for Credit Institutions and Financial Companies, as well as with the recommendations and guidelines issued by the competent authorities.

The Commission for Nominations and Welfare, within the scope of its competences and complying with the information duties mentioned in article 7 (7) of Notice 10/2011 of Banco de Portugal and with the aforementioned article 115-C (6), issued the opinion on the adequacy of this Remuneration Policy.

#### **Considering all the above,**

the RWB hereby proposes to the 2017 Annual General Meeting of Shareholders the approval of the statement on the Remuneration Policy for the members of the management and supervision bodies, hereto attached.

Lisbon, 5 April 2017

THE REMUNERATION AND WELFARE BOARD

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José Gonçalo Ferreira Maury  
(Chairman)

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José Guilherme Xavier de Basto

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José Luciano Vaz Marcos

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Manuel Soares Pinto Barbosa

## **ANNUAL GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.**

**(10/05/2017)**

### **ANNEX I**

to the

**PROPOSAL IN CONNECTION WITH ITEM 4 OF THE AGENDA**

### **REMUNERATION POLICY OF MEMBERS OF THE MANAGEMENT AND SUPERVISION BODIES**

#### **1. Basic Principles**

The Remuneration Policy of Members of Management and Supervision Bodies (MMSB) of Banco Comercial Português S.A. is based on a set of principles aiming to ensure:

1. a governance model aligned with best practices;
2. a competitive fixed remuneration enabling to attract and retain competent professionals and a variable remuneration intended to stimulate individual and collective performance, as well as reward the results achieved;
3. the attribution of benefits, namely in what concerns the retirement complement, aligned with best market practices;
4. the alignment of the interests of all stakeholders, namely the sustainability of short, medium and long term income and a prudent risk management, through mechanisms for the deferment, reduction and reversion of the variable remuneration component;
5. the observance of applicable regulations and guidelines on matters of procedures and remuneration policy.

For that purpose, the Remuneration and Welfare Board (RWB) is responsible, in articulation with the Committee for Nominations and Remunerations (CNR), for defining the principles for the remuneration policy of the MMSB, submitting them to the General Meeting of Shareholders and, once approved, for drawing up the execution regulations and establish the above mentioned remuneration.

BCP resorted to an external independent entity so as to assess the competitiveness, against the domestic and international market, of the fixed and variable component of the remuneration, as well as of the benefits currently attributed to the MMSB.

It is considered essential that the fixed remuneration represents a sufficiently high portion of the total remuneration so as to ensure the adequate balance between the fixed and variable components of the total remuneration.

The short and long term variable remuneration is aligned with the strategy defined for the Bank and its objectives, values and long term interests. This way, the Bank guarantees a sustainable performance, adjusted to its risk profile.

In accordance with these principles, the attribution of a variable remuneration is dependent on the sustainable growth of the Bank's income as well as on the market conditions and on the possible risks that may affect the business. This way, the Bank is able to guarantee a model that is financially sustainable, does not jeopardize the institution, the depositors, the employees, the shareholders and remaining stakeholders.

Thus, it is also necessary to ensure the deferment of, at least , 40% of the variable remuneration throughout a minimum period of 3 years.

The Bank also foresees mechanisms for the reduction (malus) or reversion (claw-back) of the variable remuneration so as to comply with the legal and regulatory requirements and also with the recommendations and guidelines issued by the competent authorities. The ability to totally or partially reduce (malus) the payment of a deferred remuneration, the payment of which is not yet an acquired right, as well as to, partially or totally retain the payment of a variable remuneration, the payment of which is an acquired right, (claw-back), is limited to extremely significant events, duly identified and wherein the individuals involved had a direct participation.

The application of the reversion mechanism (claw-back) must be supplementary to the reduction mechanism, i.e. in case of occurrence of an extremely significant event, the application of the reduction mechanism (malus) shall be a priority and only when the latter is deemed used up and insufficient should one consider using the reversion mechanism (claw-back).

## **2. Scope, structure and determination of the Remuneration**

### **2.1 Executive Directors**

The remuneration of the Executive Directors of BCP includes a fixed and a variable component.

The variable component is subdivided into two components, one annual (Annual Variable Remuneration - AVR) and a long-term one (Long-Term Variable Remuneration - LTVR)

### **2.1.1 Fixed Remuneration**

The fixed remuneration intends to adequately remunerate the function performed considering factors such as its nature and complexity, the required competences and the sustainability of the group's performance.

The annual fixed remuneration results from the payment of 14 monthly wages.

### **2.1.2 Variable Remuneration**

The variable remuneration is attributed based on different degrees of accomplishments of previously approved quantitative and qualitative goals which are associated to objective, simple, transparent and measurable indicators. For that purpose, shall be taken into consideration, indicators related with the creation of value for the shareholder, solvency and profitability, capital requirements, efficiency and liquidity.

The definition of these goals should bear in mind the achievement of a balance between the Group's objectives and the individual ones.

The evaluation must be carried out according to an annual and pluri-annual framework ensuring that the evaluation process is based on the short and long-term performance and, whenever possible, while the term of office of the Executive Directors is underway.

The attribution of the variable remuneration is associated with the performance. Therefore, its value may vary from zero, if the degree of accomplishment of the goals is under the defined threshold, and a maximum that cannot exceed twice the fixed component of the remuneration. For that purpose, a maximum level of achievement is defined, from which the variable remuneration will not increase (cap).

The variable remuneration should be composed by a portion in cash and a portion in BCP shares or other securities of BCP, permitted by law.

At least half of the amount of the variable remuneration should be composed of the above mentioned securities. Notwithstanding, the Executive Director may choose to receive more than that or even the full amount of the variable remuneration in securities.

The payment of the variable remuneration will also observe the deferment rules and the reduction (malus) or reversion (claw-back) mechanisms mentioned above.

The variable remuneration, regardless of having already been paid and whether acquired rights have already been established, or not, is subject to reduction or reversion mechanisms whenever it is proven that the Executive Director participated in or was responsible for an action that resulted into significant losses for the Bank or ceased to comply with the adequacy and good repute criteria.

No guaranteed variable remuneration shall be granted, except when hiring a new Executive Director and only in the first year of activity and it will only be granted if the institution has a solid and strong capital base.

**a) Annual Variable Remuneration (AVR)**

The annual variable remuneration of each Executive Director may be paid in cash after the approval of the annual report to which it relates and/or in BCP shares or other BCP securities as permitted by law, all complying with the minimum thresholds and conditions set forth by law.

The payment of that remuneration is also conditioned to a set of conditions related with the Bank's sustained performance.

**b) Long-Term Variable Remuneration (LTVR)**

The long term variable remuneration of each Executive Director depends on the fulfilment of the Bank's long-term economical and financial objectives.

The LTVR applies to the period of the term-of-office, beginning on the 1st of January of 2018 and ending on 31 December 2020. The payment is made in BCP shares or other BCP securities, as permitted by law which are granted to the beneficiaries depending on the compliance with the above mentioned conditions and indicators.

## **2.2 Non-Executive Directors**

The remuneration of the non-executive members of the Board of Directors is exclusively composed of a fixed remuneration paid monthly (12 wages).

## **3. Other benefits**

The practice of attributing benefits in terms of health insurance, credit card and mobile phones remains in effect, in line with what is attributed to the remaining Bank Employees.

The Executive Directors will be entitled to supplementary pension or early retirement regimes, as set forth by the Retirement Regulation of the Executive Directors of Banco Comercial Português (BCP).

#### **4. Final Provisions**

Executive Directors receive no additional compensation for the exercise of the respective functions.

The Directors must subscribe to a director bond in abidance by article 396 of the Companies Code. In addition, the Bank subscribes to a Directors & Officers insurance policy following market practices.

The Executive Directors or the Bank, on their behalf, are not allowed to use risk hedging mechanisms or similar mechanisms, as provided in article 115-E (15) of the Legal Framework for Credit Institutions and Financial Companies.

Considering that the remuneration of the Members of the Executive Committee is intended to directly compensate the activities they carry out directly at the Bank or in related companies (namely companies in a control or group relation with BCP) or in corporate bodies to which they have been appointed by indication or in representation of the Bank, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration. It is the obligation and responsibility of each Executive Member of the Board of Directors to inform the Bank of any additional compensation they may have received, for the purposes of complying with the procedure established above.