

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

(30/05/2018)

### PROPOSAL IN CONNECTION WITH **ITEM 7** OF THE AGENDA

#### **Taking into consideration:**

- A.** The evolution shown by the Good Governance principles introducing changes to the Legal Framework for Credit Institutions and Financial Companies as well as the need felt by the different corporate bodies of adjusting several statutory provisos in order to increase the transparency of the regulations of the corporate governance model adopted by the Bank;
- B.** That the legal regime applicable to credit institutions, namely the one in article 114 of the LFCIFC foresees the possibility of resale of the real estate properties acquired by the Bank, being of the Bank's interest that such possibility derives unequivocally from the article regarding its corporate object;

The Board of Directors hereby submits to the appraisal of the General Meeting this proposal to alter the Articles of Association of Banco Comercial Português, S.A.

### **A**

#### **ARTICLE 10**

##### **Alteration of no. 1 to read as follows:**

1. The members of the corporate bodies are elected for a four-year term and may be re-elected one or more times.
2. (...)
3. (...)

**Information Note:** This alteration intends to increase the number of years of the terms-of-office from 3 to 4 ensuring a greater stability in the performance of the functions of members of the corporate bodies.

#### **ARTICLE 13**

##### **Alteration of its no. 2 and 3 to read as follows:**

- 1 – (...)
- 2 – Directors may be members of the Remuneration and Welfare Board, provided that they are not part of the Executive Committee.

3. The members of the Remuneration and Welfare Board who are not Directors are paid according to a resolution adopted by the General Meeting of Shareholders.

**Information Note:** Given the alterations introduced in the LFCIFC imposing the appointment of a Committee for Nominations and Remunerations exclusively composed by non-executive directors whose competences overlap some of the functions attributed to the Remunerations and Welfare Board as per article 399 of the Companies Code, it is important to foresee the possibility of non-executive directors who are part of the Committee for Nominations and Remunerations also being able to be elected as members of the Remunerations and Welfare Board.

## ARTICLE 15

**Alteration of no. 1, 3 and 4 to read as follows:**

1. The remuneration of the executive directors includes a fixed and a variable component.
2. (...)
3. The addition of the variable remuneration components of the several directors must abide by the legal limits, cannot exceed 200% of the respective fixed remuneration or 2% of the Group's consolidated earnings, and the respective attribution and establishment must observe the applicable rules, namely those regarding deferment, balance between cash and other instruments, reversion (clawback) and reduction (malus) mechanisms.
4. The remuneration of the Directors who are not part of the Executive Committee shall consist of a fixed amount.

**Information Note:** The alteration proposed intends to clarify the limitations due to the alterations introduced in the Legal Framework for Credit Institutions and Financial Companies and comply with good governance practices and with those of the market .

## ARTICLE 17

**Alteration of no. 3 and 7 to read as follows:**

1. (...)
2. (...)
3. By means of an agreement with each director, the insurance policy may be replaced by contributions to a pension fund of defined contributions.
4. (...)
5. (...)
6. (...)
7. At the time of the retirement, the beneficiary may choose to redeem the capital if and to the extent that the contract underlying the alternative chosen by him/her, so allows.
8. (...)

**Information Note:** The proposed alteration intends to clarify the possibility the directors have of altering the insurance contract or the chosen pension fund at the beginning of the term-of-office, namely due to, as happened before, the discontinuance of the same. It also seeks to clarify the characteristics of the attributed complement.

## ARTICLE 25

### Alteration of no. 5 to read as follows:

1. to 4 (...)

5. Resolutions concerning the amendment of the Articles of Association in respect of the previous paragraph or of articles 15, 17 (1), 26 or 55 of these Articles of Association, as well as in respect of this paragraph, shall be approved by two thirds of the votes cast, or by a higher majority if so defined in the provisos to be altered, complying with the counting limitations set forth by these Articles of Association.

**Information Note:** The alteration proposed intends only to adjust the foreseen remissions in this number to the numbering adopted in the current and future version of the articles of association and to clarify its contents.

## ARTICLE 28

### Alteration of no. 1 to read as follows:

1. The Bank's Board of Directors is composed of a minimum of 15 and a maximum of 19 members, elected by the General Meeting of Shareholders.

2. to 3. (...)

**Information Note:** This amendment aims to adjust the number of members of the Board of Directors to the best corporate governance practices.

## ARTICLE 29

### Alteration of its no. 2 and 4 to read as follows:

1. (...) *Alteration proposal described in paragraph 2 of part B of this proposal.*

2. The General Meeting shall also appoint up to three Vice-Chairpersons, one of them being the Chairperson of the Executive Committee.

3. (...)

4. The Board of Directors may charge its Chairperson, as the Bank's highest institutional representative, with specific matters, provided that these have not been delegated to the Executive Committee.

**Information Note:** The alteration proposed intends to adjust the articles of association to the current governance model of the company.

## ARTICLE 35

### Alteration of no. 1 and 2 to read as follows:

1. The Board of Directors delegates the Bank's day-to-day management to an Executive Committee, and may especially entrust one or more directors with certain management issues.

2. The Chairperson, in case he/she has not been indicated by the General Meeting, eventual vice-chairpersons and the remaining members of the Executive Committee are selected by the Board of Directors from amongst its members. The Executive Committee will be composed of a minimum of six and a maximum of seven directors.

3. to 6. (...)

**Information Note:** The alteration proposed intends to adjust the articles of association to the current governance model of the company.

## ARTICLE 36

**Alteration of no. 1 a) to d) and addition of a new paragraph e) to the same number, to read as follows:**

1. The Bank shall be bound before third parties by the signature:
  - a) of the Chairperson of the Board of Directors together with another director who is a member of the Executive Committee;
  - b) of two directors who are members of the Executive Committee;
  - c) of one director on whom powers for the act shall have been delegated;
  - d) of one director and an attorney, under the terms of the latter's mandate;
  - e) of one or more attorneys under the terms and within the scope of the respective powers-of-attorney.
2. (...)

**Information Note:** The alteration proposed intends to adjust the articles of association to the current governance model of the company.

## ARTICLE 37

**Alteration of all the numbers of this article to read as follows:**

1. If the General Meeting did not create these, the Board of Directors shall create a Committee for Risk Assessment, which will monitor and follow-up on the risk strategy and appetite, a Committee for Nominations and Remunerations, to monitor and follow-up on matters related to the selection, assessment and remuneration policy for Corporate Bodies and for employees, namely those qualified as officers and a Committee for Corporate Governance, Ethics and Professional Conduct to follow and monitor issues regarding the adoption of the best rules in respect of good governance, ethics and professional conduct.
2. The Committees mentioned in number 1 shall be exclusively composed of directors who do not perform executive functions.
3. The Board of Directors may also approve the creation of other Committees, with or without the presence of its members, to follow certain specific matters on an ongoing basis, defining their powers and duties.
4. The members of the Committees mentioned in the previous paragraphs may also be given duly specified representation powers.
5. The Chairperson of the Board of Directors may attend the meetings of all the Committees though he/she will not have voting rights when he/she is not a member thereof.

**Information Note:** The alteration intends to adjust the articles of association to the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and to the current governance model of the company.

## CHAPTER VI

**Suppression of the reference to “Section I – General provisions”**

**Information Note:** since a Section II does not exist, the reference to a Section I is useless

## **ARTICLE 38**

**Alteration of no. 3 to read as follows:**

1. (...)
2. (...)
3. The Chairperson of the Audit Committee as well as the majority of its members must be independent and one of them must have a degree appropriate for the exercise of his/her functions and knowledge of audit or accounting.
4. to 8 (...)

**Information Note:** The alteration intends to adjust the articles of association to the Legal Framework for Credit Institutions and Financial Companies (LFCIFC)

## **CHAPTERS VII, VIII and IX**

### **ARTICLES 40 to 45**

**The addition of 3 new chapters and respective articles 40 to 45**

#### **Chapter VII**

##### **Committee for Risk Assessment**

###### **Article 40**

###### **Composition**

1. The Committee for Risk Assessment shall monitor and follow up on the company's risk strategy and appetite, being composed of three to five directors who do not perform executive functions and the majority of its members must be independent.
2. The Chairperson of the Committee for Risk Assessment must be independent and cannot chair the Board of Directors or any other of its Committees.
3. The members of the Committee for Risk Assessment must possess the appropriate knowledge, competences and experience enabling them to fully understand and supervise the Bank's risk strategy as well as the Bank's risk appetite.

###### **Article 41**

###### **Competences**

Besides other powers granted to it by law or by the Board of Directors, the Committee for Risk Assessment shall be specifically responsible for the following:

- a) Advising the Board of Directors on the strategy and policies concerning the taking, management, control, policies and reduction of risks to which the Bank is or may come to be exposed, including those resulting from the macroeconomic framework within which it operates.

- b) Assisting the Board of Directors in the supervision of the execution of the Bank's risk strategy;
- c) Assessing and allocating adequate resources to risk management in accordance with the General Framework for Credit Institutions and Financial Companies and with the remaining domestic and European legal requirements in effect;
- d) Analysing if the products and services offered to customers take into consideration the Bank's business model and risk strategy;
- e) Examining if the incentives established in the Bank's remunerations policy take into consideration the risk, capital, liquidity and expectations concerning income.

### **Chapter VIII**

#### **Committee for Nominations and Remunerations**

##### Article 42

##### **Composition**

1. The Committee for Nominations and Remunerations is composed of three to five directors who do not perform executive functions.
2. The Chairperson of the Committee for Nominations and Remunerations must be independent.
3. At least one of the members of the Committee for Nominations and Remunerations must have the appropriate expertise, skills and experience to exercise such functions.

##### Article 43

##### **Competences**

Besides other powers granted to it by law or by the Board of Directors, the Committee for Nominations and Remunerations shall be specifically responsible for the following:

- a) Identifying and recommending to the Board of Directors the appointees for positions within that body, assessing its composition in terms of knowledge, competences, diversity and experience, drawing up a description of the functions and qualifications for the positions in question and assessing the time required for the exercise of the function;
- b) Assessing, at least once a year, the structure, size, composition and the performance of the Board of Directors and making recommendations to the Board for the introduction of eventual alterations;

### **Chapter IX**

#### **Committee for Corporate Governance, Ethics and Professional Conduct**

##### Article 44

##### **Composition**

The Committee for Corporate Governance, Ethics and Professional Conduct is composed of three to five directors who do not perform executive functions.

##### Article 45

##### **Competences**

Besides other powers granted to it by the Board of Directors, the Committee for Corporate Governance, Ethics and Professional Conduct shall be specifically responsible for the following:

- a) Recommending to the Board of Directors the adoption of policies that translate a good professional conduct and meet ethical principles and the best corporate governance practices;
- b) Supporting the Board of Directors in the evaluation of the systems that identify and solve conflicts of interests;
- c) Evaluating the Compliance function, appraising the procedures in effect and the non-compliant situations.

**Information Note:** The alteration intends to adjust the articles of association to the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and to the current governance model of the company.

## **THAT THE CURRENT ARTICLES 40 AND FOLLOWING ARE RENUMBERED DUE TO THE AMENDMENT PROPOSED EARLIER**

### **NEW ARTICLE 46 (previously 40)**

**The addition of a new no. 2, renumbering the following and altering all the remaining numbers, except for former no. 4, 6 and 7 (which become no. 5, 7 and 8), to read as follows:**

1. The Board for International Strategy is an advisory body of the Bank composed of representatives of the shareholders with a qualifying holding and of persons with recognized merit and connections to the countries that are relevant to the Bank and to the Group.
2. Except for the persons who are members due to their functions, the remaining members of the Board for International Strategy, including its Chairperson, are appointed by the Board of Directors.
3. The Chairperson of the Board of Directors, the Chairperson of the Executive Committee and the Chairperson of Fundação Millennium BCP are members of the Board for International Strategy due to their functions.
4. The Vice-Chairpersons of the Board for International Strategy shall be chosen by its members. The Vice-Chairpersons shall replace the Chairperson in case of impediment, by order of appointment.
5. (former no. 4)
6. The Board for International Strategy shall meet at least twice a year and whenever convened by its Chairperson.
7. (former no. 6)
8. (former no. 7)

**Information Note:** The alteration proposed intends to adjust the articles of association to the current governance model of the company.

**NEW ARTICLE 47 (previously 41)**

**Alteration of no. 2 to read as follows:**

1. (...)
2. The Statutory Auditor shall exercise all functions set forth by the law and the articles of association, and shall also be heard on any subject, if so requested by the Chairpersons of the Board of Directors or any of its Committees.

**Information Note:** The alteration intends to adjust the articles of association to the Legal Framework for Credit Institutions and Financial Companies (LFCIFC) and to the current governance model of the company.

**NEW ARTICLE 54 (previously 48)**

**The removal of no. 2, renumbering the following, and altering the former no. 3 and 4 (which become no. 2 and 3), to read as follows:**

1. (...)
2. The General Meeting may freely adopt resolutions by simple majority in matters concerning the appropriation of the net income for the year, without being subject to any mandatory distribution, but following the dividend policy in effect at each moment.

3. The General Meeting may set a percentage of net income to be distributed among the Bank's employees, the Board of Directors being responsible for the criteria of such distribution, after hearing the opinion of the Committee for Nominations and Remunerations.

4. (former no. 5)

**Information Note:** The alteration intends to adjust the articles of association to the current governance model of the company and the market's best practices. The number 2 is suppressed for being useless as it never had a practical use.

## B

We propose to the General Meeting the following resolution:

- 1 - Alter article 3 of the Bank's Articles of Association, which shall read as follows:

“The corporate object of the Bank is to engage in banking with such latitude as may be permitted by law, being able to, in accordance with articles 112 and 114 of the Legal Framework for Credit Institutions and Financial Companies, acquire and use for its premises and functioning or for the pursuit of its corporate object any real-estate properties, including the purchase of such properties for resale, pursuant to and within a framework of procedures for the reimbursement of its own credits.”

**Information Note:** Considering that the legal regime applicable to credit institutions foresees that the authorized activities include the acquisition for resale of real-estate



properties acquired as reimbursement of own credits, it was deemed appropriate for such activity to be included in the appropriate article of the Articles of Association, the one regarding the corporate object.

2 - Alter no. 1 of article 29 which shall read as follows:

“1. The Chairperson of the Board of Directors, the Chairperson of the Executive Committee and the members of the Audit Committee are appointed by the General Meeting that carries out the election.”

**Information Note:** The alteration proposed intends to adjust the articles of association to the current governance model of the company.

The entering into force of the resolutions in Part B is subject to the suspensive condition of approval by the European Central Bank, if the same has not been obtained prior to the date of the resolution.

Lisbon, 7 May 2018

THE BOARD OF DIRECTORS