

14. Remuneration policy

14.1. General principles

The rules guiding remuneration policies at BCP Group level (GRP), establishing a common framework defining the concepts, principles, rules and governance model for the preparation, approval and monitoring of remuneration policies implemented in all entities of the Group are clearly defined, approved by the Board of Directors and published in a group code applicable to the entire Group.

In this context, the principle of alignment of the GRP with the business strategy, objectives, values and long-term interests of the Group and each Group Entity is established and incorporates measures that avoid conflicts of interest as well as the promotion of sound and effective risk management that does not encourage the assumption of risks that exceed the risk level of the Bank defined in the RAS. It is up to the Group Entities to implement, for the different segments of the identified employees, specific remuneration policies and appropriate risk alignment mechanisms to ensure that the impact of the employee category identified in the risk profile of the institution is adequately aligned with its remuneration.

GRP considers a fixed component and a variable component. In the cases where variable remuneration is allocated, this assignment is based on the performance of the business units, the team, and the individual performance of each employee, and considers the risks assumed. In principle, the variable component of remuneration may not exceed the fixed component, but exceptions are allowed provided that they are justified and approved by the competent bodies.

The fixed remuneration of identified employees incorporates their professional experience and organizational responsibility taking into account their academic level, their seniority, the level of knowledge and skills, their limitations and work experience, the business activity concerned and the level of remuneration in the geographical location.

The variable remuneration is aligned with the strategic plan and incorporated into the budget projections. The preliminary amount allocated for this purpose is explicitly approved in the approval process of the annual budget by the Board of Directors, considering its impact on the capital and liquidity requirements of the Bank and of the Entity.

The amount of the variable remuneration allocated conforms adequately to changes in the performance of the employee, with situations where the performance and/or behavior of the employee lead to a sharp reduction of the variable remuneration, which may even be reduced to zero, being defined.

The GRP considers, as a rule, 100% of the maximum ratio between the variable and fixed components of the remuneration. However, a maximum proportion above 100% may be approved by the General Shareholders' Meeting, when necessary, or by the Board of Directors, but may not exceed 200%.

In determining the GRP, different categories of employees are considered, and specific schemes are defined for each category, namely distinguishing between executive and non-executive directors, the Chief Risk Officer, other members of the corporate bodies directly elected by the General Meeting of Shareholders, employees with key functions performing control functions of the Bank or not and, lastly, all the other employees. The policies defined for the above-mentioned categories are described in detail in Part D of the Corporate Governance Report, available on the Bank's website.

Employees involved in control functions are independent of the business units they supervise and are remunerated according to the execution of the goals that do not depend on the performance of the business areas they control.

The GRP is designed in such a way that the adequate compensation of employees is not dependent on the allocation of variable remuneration, to avoid incentives to take excessive risks in the short term.

All employees have access to the remuneration policy that applies to them through the Bank's intranet.

14.2. Identification of employees with key functions

The Group annually identifies employees with key functions (Key Function Holders / KFH) through a self-assessment process carried out by BCP's Human Resources Division, in coordination with similar bodies in each Group Entity, in accordance with the Commission Delegated Regulation (EU) 604/2014. This exercise ensures the complete identification of all employees whose professional activities have a material impact on the Group's risk profile, at the individual and group level, and is supported on the qualitative and quantitative criteria mentioned below:

- First-line Managers and Executive Directors or equivalent of other Entities of the Group.
- Second-line Managers of the Risk Office, Compliance Office, and Internal Audit Division.
- Second-line Managers of the Treasury Division.
- Employees with delegated powers to approve credit transactions at a decision level immediately below those in which the intervention of the members of the Executing Commission is required.

- Members of the management committees, with the right to vote, not included in the above-mentioned groups.
- Employees with total remuneration of more than 500,000 euros or equivalent in the last financial year.
- Employees included in the set of 0.3% of employees with a higher total remuneration, in the previous financial year.
- Employees with a total remuneration, in the previous financial year, above the lowest total remuneration of a First Line Manager.

The annual self-assessment process at the level of the Group Entity is conducted during the third quarter of the year and the results submitted for approval by each Board of Directors of the Group Entities, and subsequently presented to BCP's Board of Directors, jointly with the opinion issued by the Committee for Nominations and Remunerations.

14.3. Remuneration policy governance

The Remuneration and Welfare Board (RWB), a body emanating from the General Meeting of Shareholders, is responsible for setting the remuneration of the members of the Bank's corporate bodies (Board of Directors, Board of the General Assembly and the Board for International Strategy), to determine the pension supplements of the directors and, jointly with the Committee for Nominations and Remunerations, to make a proposal for the remuneration policy of the members of the corporate bodies to be presented to the General Assembly.

The Board of Directors of BCP (BoFD) is responsible for the approval of the GRP and the continuous monitoring and oversight of its implementation by delegation of the Remunerations and Welfare Board.

The Committee for Nominations and Remunerations (CNR) provides support and advice to the BoFD in the preparation of the GRP, being responsible for the preparation, in matters within its competence, of the resolutions on remuneration to be taken by the General Meeting of Shareholders and the BoFD. The composition of the CNR and the number of annual meetings of this Committee are contained in mentioned Part D of the Corporate Governance Report.

In the case of BCP and the entities in Portugal, the Remuneration and Welfare Board oversees the preparation of remuneration policies and sets, under delegation of the General Meeting of Shareholders, the remuneration of the members of the Board of Directors, establishes the terms of the pension supplements for the management board and submits the remuneration policy for the Bank's management bodies to the annual General Meeting of Shareholders, jointly with the CNR.

Decisions on the remuneration of the KFHs fall within the competence of the CNR by delegation of the BoFD, on a proposal by the Executive Committee (ExCo). The decisions relating to the remuneration of the other employees are a responsibility of the ExCo, in compliance of the GRP approved by the BoFD.

Regarding the variable remuneration of the KFHs it is the ExCo's responsibility to make a proposal for the overall amount of the variable remuneration to be attributed to these employees, for approval of the CNR and referral to the BoFD.

To perform its task, the CNR communicates with the Committee for Risk Assessment and, if necessary, with the CEO, the CRO and the Company Secretary, and takes into account the contributions made by the relevant corporate functions, in particular the following:

- The Human Resources Division (HRD) participates in the planning of the remuneration structure, remuneration levels and incentive schemes, considering strategic and budgetary goals, the profile of employees, retention strategies and market conditions.
- The Risk Office informs on the definition of appropriate and risk-adjusted performance metrics and possible impacts of variable compensation on the institution's culture and risk profile.
- The Compliance Office analyzes how the remuneration policy affects compliance with legislation, regulation, internal policies, and risk culture.

The relevant performance metrics for the following year associated with the variable remuneration should preferably be adopted with the budgetary procedure and at the latest in the first quarter of each year.

The assessment of the performance of employees who are not members of the boards of directors, carried out by the Human Resources Division, should be approved by the Executive Committee by the end of the first quarter of the following year.

Decisions regarding the approval of remuneration policies of other Group Entities and regarding the remuneration of employees of other Group Entities that are Group KFHs require a prior opinion of BCP's CNR, and BCP's CEO and Executive Directors monitoring the Entity should, in principle, be members of the Entity's remuneration committee.

14.4. Quantitative information

Quantitative information on the overall amount of remuneration awarded in 2020 and their breakdown by business areas and categories of employees is available in note 51 of the Annual Report and Financial Statements for 2020 and Part D of the Corporate Governance Report.