



HAITONG

**REGULATION No. COM03.R03
Outsourcing
of Haitong Bank, S.A.**

Approved by the Board of Directors
on the 27/12/2023

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1. OBJECTIVE

This document defines the Outsourcing Regulation (“**Regulation**”) adopted by Haitong Bank, S.A. (“**Bank**”). The Regulation’s main purpose is to control compliance with current legislation, to mitigate operational risks arising from the outsourcing of the Bank’s services/activities and to ensure compliance with legal provisions involving outsourcing.

The entering into of an outsourcing agreement, its terms and conditions, and its management, monitoring and termination shall comply with this Regulation.

The scope of this Regulation includes also, the operating functions that are essential to the provision of services and execution of activities on an ongoing basis and meeting quality and efficiency standards (i.e. the functions should be regarded as critical or important where a defect or failure in its performance would materially impair the continuing compliance of the Bank with the conditions and obligations of its authorisation, its legal obligations under Directive 2014/65/EU, its financial performance, or the soundness or the continuity of its investment services and activities).

The Bank implements various measures and procedures deemed adequate to control compliance with current legislation and to avoid or limit the Bank’s exposure to any risks, particularly operational risk, whenever it outsources activities or functions.

Third-party outsourcing is not allowed in case it impairs the internal control to be performed by the Bank and/or the competent authority’s ability to control the Bank’s compliance with its legal or regulatory obligations. The outsourcing of internal control functions can only occur occasionally, in exceptional and duly substantiated situations.

This Regulation governs the arrangements of any form between the Bank and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the Bank.

This Regulation is based on the current national and European legislation applicable to financial intermediation, namely:

- Directive 2014/65/EU;
- EU Delegated Regulation 2017/565 (which is directly applicable to the Bank);
- EBA/GL/2019/02 - Guidelines on outsourcing arrangements (February 2019);

- ESMA Guidelines on outsourcing to cloud service providers; and
- Notice 3/2020 of the Bank of Portugal (BoP).

Other applicable internal rules:

- COM02.R02 - Conflict of Interest Prevention and Management Regulation;
- COM12.PM030 - Prevention and Management of Conflicts of Interest (Procedure);
- COM38.PM333 - Outsourcing Procedure;
- FIN29.PM362 - Capex and OPEX Management.

2. RECIPIENTS

- a. The content of this Regulation represents a minimum standard that shall apply to the Bank and its subsidiaries, branches and representative office (“**Haitong Bank Group**”).
- b. In case of conflict between any provision of this Regulation and the local laws and regulations applicable to any Bank's subsidiary or branch, the relevant local laws and regulations shall prevail.

3. RESPONSIBILITY

- a. This Regulation is prepared by the Compliance Department.
- b. This Regulation is approved by the Board of Directors.
- c. This Regulation is reviewed by the Compliance Department on an annual basis or whenever necessary to comply with applicable rules.

4. DISCLOSURE

- a. The Board of Directors ensures that the Regulation referred to in the preceding paragraph is properly implemented in the institution, which is subject to periodic reviews and is disclosed internally to all employees.
- b. This Regulation is available in the Bank's intranet and corporate website.
- c. After any amendments are approved to this Regulation, the Compliance Department informs by e-mail all Bank's staff within 30 (thirty) days from the approval date and requests the upload of the most updated versions of the Regulation on the intranet and website.

5. PRINCIPLES

- a. This Regulation aims at establishing mechanisms when celebrating/renewing outsourcing arrangements by the Bank and its subsidiaries and branches.
- b. This Regulation intends to guarantee an independent and transparent process when negotiating an outsourcing arrangement.

6. NON-CRITICAL OR IMPORTANT FUNCTIONS

The following situations are excluded from the scope of this Regulation:

- (i) Functions that are legally required to be performed by a service provider, e.g. statutory auditor;
- (ii) Market information services (e.g. provision of data by Bloomberg, Moody's, Standard & Poor's, Fitch);
- (iii) Global network infrastructures;
- (iv) Clearing and settlement arrangements between clearing houses, central counterparties and settlement institutions and their members;
- (v) Global financial messaging infrastructures that are subject to oversight by relevant authorities;
- (vi) Correspondent banking services; and
- (vii) The acquisition of services that would otherwise not be undertaken by the Bank (e.g. advice from an architect, providing legal opinion and representation in front of the court and administrative bodies, physical custody of documents, cleaning, gardening and maintenance of premises, medical services, servicing of company cars, insurance, security services, catering, vending machine services, clerical services, travel services, post-room services, receptionists, secretaries and switchboard operators), of goods (e.g. plastic cards, card readers, office supplies, personal computers and all IT-related goods, furniture) or utilities (e.g. electricity, gas, water, fixed and mobile communications).

The Compliance Department should be consulted prior to signing any agreements in case of any doubts on the classification of services as "outsourcing" and of the qualifications of the functions to be outsourced as important or critical.

7. CRITICAL OR IMPORTANT FUNCTIONS

The following situations are included in the scope of this Regulation as critical or important functions:

- (i) Services or goods whose defects or failures in the performance would materially impair the Bank's compliance with the conditions of its authorisation and regulatory obligations, its

- financial performance or the soundness or continuity of the banking and payment services and activities;
- (ii) Outsourcing of operational tasks of internal control functions except if a failure or the inappropriate provision of such function would not controversially impair the effectiveness of the internal control function;
 - (iii) Outsourcing of banking activities or payment services.

8. OUTSOURCING

8.1 Applicable Principles

The Bank shall remain fully responsible for discharging all of its obligations under Directive 2014/65/EU.

Prior to signing any agreement, the Bank shall ensure that the outsourcing:

- (i) Does not materially impair the internal control to be performed by the Bank;
- (ii) Does not materially impair the competent authority's ability to control the Bank's compliance with its legal or regulatory obligations;
- (iii) Does not result in the delegation of the Executive Committee responsibilities;
- (iv) Allows the Bank to maintain control of the outsourced activities and functions and the responsibility towards its customers, namely in terms of information duties;
- (v) Does not empty the Bank's activity;
- (vi) Allows the Bank to maintain its relationship and obligations towards its Clients under the applicable legislation, including its information duties, while also ensuring that:
 - The Bank defines the management policy/regulation and takes the main decisions in case the services, activities or functions in question involve any type of management powers;
 - The Bank maintains exclusive relationships with its clients, including payments to be made by or to the client;
- (vii) Allows compliance with all requirements of the Bank's authorisation and licence as a credit institution and financial intermediary;
- (viii) Does not remove or modify any condition subject to which the Bank's authorization and licence was granted.

8.2 Outsourcing Requirements

The Bank shall exercise due skill, care and diligence when entering into, renewing, managing or terminating any arrangement for the outsourcing to a service provider and shall take the necessary steps to ensure that the below-mentioned conditions are satisfied.

8.2.1 Regarding the outsourcing service provider

The Bank shall ensure that the outsourcing service provider:

- (i) Has the ability, capacity, sufficient resources, appropriate organisational structure supporting the performance of the outsourced functions, and any authorisation required by law to perform the outsourced functions and to carry out the outsourced functions or activities in a reliable and professional manner;
- (ii) Effectively performs the outsourced functions or activities in compliance with the applicable law and regulatory requirements;
- (iii) Controls the execution of the outsourced functions or activities, manages the risks involved in outsourcing and defines an individual as responsible for the outsourcing agreement;
- (iv) Has all the information needed for carrying out the outsourcing agreement;
- (v) Informs the Bank of any facts that may have a material impact in its ability to carry out the outsourced functions or activities in compliance with applicable legal and regulatory requirements;
- (vi) Adopts appropriate measures in order to transfer the outsourced functions or services to another third party or to reintegrate them at the Bank, ensuring a proper support during the transition;
- (vii) Informs the Bank of any changes regarding an outsourcing arrangement or the service provider (e.g. to its financial position, organizational or ownership structures, sub-outsourcing);
- (viii) In the case of sub-outsourcing of critical or important functions, the service provider shall request prior authorization from the Bank (by written agreement) indicating the specific functions to be sub-outsourced. The service provider is obliged to oversee the sub-outsourced functions that it has sub-contracted to ensure that all contractual obligations between the service provider and the Bank are continuously met;
- (ix) Cooperates with supervisory authorities with regard to the outsourced functions or activities;

- (x) Provides the Bank, its auditors and supervisory authorities with access to information, where necessary for the purpose of effective oversight, on the outsourced functions or activities, as well as to its relevant business premises;
- (xi) Protects any confidential information involving the outsourcing financial intermediary or its customers, including by means of confidentiality clauses which remain effective after the termination of the agreement.
- (xii) Ensures that personal data processed by service providers located in the EU and/or third countries are in accordance with Regulation (EU) 2016/679 (“GDPR”).

8.2.2 Regarding the Bank

The Bank shall:

- (i) Supervise the carrying out of the outsourced functions or activities and manage outsourcing risks;
- (ii) Establish methods and procedures for assessing the standard of performance of the outsourcing service provider and for reviewing, on an ongoing basis, the provided services;
- (iii) Comply with the regulatory reporting duties, namely by disclosing to the Supervisor the critical or important outsourcing arrangements before their signing or whenever an ongoing agreement has become critical or important;
- (iv) Assess the performance of the outsourcing arrangements in an ongoing basis;
- (v) Assess the concentration risk regarding their service providers;
- (vi) The Bank should identify, assess and manage the potential impact of outsourcing arrangements on the risk management framework, taking into consideration the assessment results when deciding if the proposed function should be outsourced to a service provider, and should take appropriate steps to avoid undue additional risks before entering/renewing outsourcing arrangements;
- (vii) Take appropriate measures if it believes that the outsourcing service provider may not be performing the outsourced functions or activities effectively and in compliance with applicable legal and regulatory requirements;
- (viii) Have the ability to terminate the outsourcing agreement, whenever necessary, without detriment to the continuity and quality of the services provided to its Clients;
- (ix) Include highlights of the outsourced functions or activities and their associated terms in its annual reports;

- (x) Whenever necessary, in view of the outsourced functions or activities, make a contingency plan for disaster recovery and periodic testing on backup systems (business continuity plan);
- (xi) Ensure that the continuity and quality of the outsourced functions or services are maintained also in the event of termination of the outsourcing arrangement (preparation of exit strategies and termination processes, including an exit strategy plan for each critical or important function), identifying the main measures to be taken by the service provider, either by transferring the outsourced functions or services to another third party or by performing them itself.
- (xii) Ensure that the outsourced service providers accept the rules of HB's Code of Conduct, pursuant to Articles 2 (3 and 4) of Bank of Portugal Notice no. 3/2020 and, when the nature of the outsourcing activities so justifies, that the outsourced service provider's employees assigned to the outsourced functions acknowledge and accept the provisions of the Client's Code of Conduct.

If the Bank and the service provider belong to the same business group, the Bank may, for the purposes of the above paragraphs and the applicable legal and regulatory regime, take into account the extent to which it controls the outsourcing service provider or influences its actions, and to which the outsourcing service provider is included in the group's consolidated supervision. By entering into an outsourcing arrangement, the Bank shall ensure that the entity to which the activity is outsourced maintains a record of personal transactions entered into by any Relevant Person and provides that information to the Bank promptly on request.

8.2.3 Written agreement

Outsourcing shall be formalised by a written agreement stating the rights and obligations that, in line with the above paragraphs and the applicable legal regime, arise for the Bank and the service provider.

The Bank shall ensure that the service provider, responsible for the outsourcing arrangement, is authorized and registered by a competent authority (when applicable).

When drafting the written agreement, the Bank shall ensure that:

- (i) The principles and rules above mentioned in sections 8.1 and 8.2 of this Regulation are included in the written agreement;
- (ii) In addition, the agreement shall clearly state:

- The purpose of the agreement;
- That the Bank keeps, in any event, its instruction and termination rights, its rights of information and its right to inspections and access to documentation and premises of the service provider;
- The duration of the agreement, termination and exit management clause, terms of contractual renewal and the Bank's ability to terminate the agreement;
- The amounts, methods and deadlines for the payments to be made;
- The rights and obligations of the parties, including the outsourcing service provider's obligation to comply with all applicable legal and regulatory requirements;
- Compensation clauses to be applied in the event of default of the outsourcing agreement and/or applicable legal and regulatory requirements;
- The proper metrics and measures to be implemented by the Bank in order to evaluate the service level of the outsourcing arrangement;
- In case of contract termination, a guarantee by the service provider that the appropriate support will be granted to the Bank regarding a suitable transition of the outsourced services either to the Bank or to another service provider designated by it;
- The service providers will cooperate with the supervisory authorities and auditors with regard to the outsourced functions or activities, providing all the information requested by the supervisory authorities and auditors in due time;
- The identification of the agreement management team, including at least one individual designated by the Bank and another by the other party;
- Governing law and means of settling disputes (arbitration or jurisdiction);
- Other specific clauses that may be considered essential for the Bank depending on the agreement's nature.

8.3 Outsourcing services in third countries

In addition to meeting the requirements described in the previous sections, whenever the Bank wishes to outsource services to an entity located outside of the European Union, the Bank shall ensure that:

- (i) The service provider is authorised to provide this service in its country of origin and is effectively supervised by a competent authority in that third country;
- (ii) A cooperation agreement exists between regulators and the outsourcing service provider's supervisory authority that shall secure that regulators are able, at least, to:

- obtain on request the information necessary to carry out their supervisory tasks pursuant to Directive 2014/65/EU and Regulation (EU) No. 600/2014;
- obtain access to the documents relevant to the performance of their supervisory duties maintained in the third country;
- receive information from the supervisory authority in the third country as soon as possible for the purpose of investigating apparent breaches of the requirements of Directive 2014/65/EU and its implementing measures and Regulation (EU) No. 600/2014;
- cooperate with regard to enforcement, in accordance with the national and international law applicable to the supervisory authority of the third country and the competent authorities in the Union in cases of breach of the requirements of Directive 2014/65/EU and its implementing measures and relevant national law.

8.4 Outsourcing services to intra-group entities

The Bank considers an intragroup outsourcing any outsourcing arrangements with entities of the same economic group.

The Bank shall comply with the following duties when entering an intra-group outsourcing arrangement:

- (i) Suitable due diligence must be conducted on the potential service provider;
- (ii) A clear definition of the scope of services, stating the main responsibilities and powers which should be clearly divided between the Bank and service provider;
- (iii) The Bank shall conduct proper oversight and control of the outsourced activities; and
- (iv) Ensure that intra-group outsourcing arrangements are properly documented to reflect the commercial terms, responsibilities and reporting lines between the Bank and service provider.

The operational tasks of the internal control functions may be subcontracted to the parent company or to another entity of the group if prior consent by the management and supervisory bodies of all entities involved has been obtained.

8.5 Outsourcing management

The outsourcing process can involve relevant risks that must be considered in the selection, decision-making and formalisation process. The business or support area that proposed the outsourcing in question is responsible for effectively managing these risks.

In this context, the Bank ensures that:

- (i) The assessment methods are established for the service level to be provided by the outsourcing service provider, in particular:
 - Methods for comparing costs against service quality;
 - Quality levels reflecting quantifiable goals, including their updating;
 - Frequency of monitoring to be performed.
- (ii) The appropriate measures are taken if there is a suspicion that the outsourcing service provider may not be carrying out the outsourced functions or activities effectively and in compliance with applicable legal and regulatory requirements;
- (iii) The highlights of the outsourced functions or activities and their associated terms are included in its annual reports.

8.6. Outsourcing monitoring

The Bank continuously monitors the performance of service providers in relation to all outsourcing agreements on a risk-based approach, paying particular attention to the outsourcing of essential or important functions, including ensuring the availability, integrity and security of data and information.

To this end, the Bank shall ensure that:

- (i) The outsourcing arrangements comply, at all times, with all applicable performance and quality standards;
- (ii) Independent assessments and audits of compliance with legal and regulatory requirements and the Bank's or the outsourced service provider's internal policies are conducted;
- (iii) Evaluates the performance of outsourced service providers, using tools such as key performance indicators, key control indicators, service delivery reports, etc.;
- (iv) Takes appropriate measures if it identifies deficiencies in the provision of the outsourced function, which may include termination of the outsourcing agreement with immediate effect;
- (v) Takes the necessary precautions in case of renewal processes.

9. OUTSOURCING REGULATION APPROVAL, APPLICATION AND RENEWAL

9.1 Outsourcing procedures

Following the request of the business or support areas that have decided to outsource given processes, services or activities, the Compliance Department will verify compliance with this

Regulation's requirements. When requested, the Legal Department may also be involved in the process of defining and revising contractual conditions.

All outsourcing proposals/renewals shall be submitted to the Bank's Executive Committee by the proposing business or support area, which will be solely responsible for preparing a project file including the following:

- (i) Description of pre- and post-outsourcing ("as is" and "to be") process(es), service(s) and activity(ies), including the required conditions of the agreement to be signed;
- (ii) Due diligence on potential supplier(s);
- (iii) Analysis of inherent risks, including compliance of the proposal's general terms with the principles and requirements in point 6;
- (iv) Business case study identifying the investment to be made vis-à-vis the future cost reduction / revenue increase and past performances (if applicable).

If, following the Bank's Executive Committee approval, it is determined that the specific negotiated contractual conditions do not comply with the provisions of section 6 of the Outsourcing Regulation, the process will be resubmitted to the Executive Committee so that it can decide on the outsourcing in view of the existing risks (excluding requirements arising directly from laws and regulations in force, which must be complied with).

9.2 Updating of outsourcing regulation and agreement record

The outsourcing regulation's content shall be reviewed periodically by the Compliance Department, considering its suitability to regulatory requirements and the effectiveness of measures implemented. Any changes must be approved by the Board of Directors.

The Compliance Department, together with the Administrative Department will keep a database with all of the information needed to record signed outsourcing agreements.

All current outsourcing arrangements' documents will be distinguishing between critical or important functions and other outsourcing arrangements.

10. CONFLICTS OF INTEREST

The Bank shall ensure that any outsourcing process complies with conflicts of interest rules.

11. ARCHIVE

The Compliance Department maintains an archive in digital format of this Regulation. This digital archive is maintained in the Compliance Department’s shared folder “Comply”.

12. MONITORING

- a. The Compliance Department monitors compliance with this Regulation by performing regular monitoring actions.
- b. Any failure to comply with the duties set out in this Regulation are a serious breach of the legal and contractual duties of the Bank’s staff.
- c. The Compliance Department coordinates with the Administrative Department the disclosure of this Regulation on the Bank’s intranet and website.

13. CONTROL OF VERSIONS

This Regulation should be made available on Bank’s website and on intranet.

Table 1: Information about the Document

Name of the Document	Outsourcing Regulation
Version	Version 6.0
Prepared by (Name/Department)	Compliance Department
Appreciated on (Committee name)	Prior opinion of the Supervisory Board (07/12/2023) and endorsed by the CGC (20/12/2023)
Approved by (Committee name)	Board of Directors (BoD)

Table 2: Versions’ update

Update and Approval Date	Main Changes
Version 1.0. - Approved By ExCOM on 11 August 2015	Original Version
Version 2.0 – Approved by ExCOM on 18 December 2017	New Logo and other updates.
Version 3.0 – Approved by ExCOM on 26 November 2019	Updated according with EBA guidelines on outsourcing arrangements.
Version 3.1 – Ratified by the BoD on 15 September 2020	According with BoP recommendation.

Version 4.0 – Approved by BoD on 25 February 2021

Updated according with Notice no 3/2020.

Version 5.0 – Approved by BoD on 19 December 2022

Development of the monitoring procedures and inclusion of the independent assessment of the regulation.

Version 6.0 – Approved by BoD on 27/12/2023

Annual Update; Clarification regarding acceptance the rules of its Code of Conduct, pursuant to Articles 2(3 and 4) of Bank of Portugal Notice no. 3/2020, other minor changes and clarifications.

ANNEX I (DEFINITIONS)

In addition, for the purpose of outsourcing arrangements, the following definitions apply:

Outsourcing means an arrangement of any form between the Bank and a service provider by which that service provider performs a process, a service or an activity that would otherwise be undertaken by the institution.

Function means any processes, services or activities.

Critical or important function means any function that is considered critical or important as set out in the EBA Guidelines on outsourcing arrangements and current regulation.

Sub-outsourcing means a situation where the service provider under an outsourcing arrangement further transfers an outsourced function to another service provider.

Service provider means a third-party entity that is undertaking an outsourced process, service or activity, or parts thereof, under an outsourcing arrangement.

Cloud services means services provided using cloud computing, that is, a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction.

Public cloud means cloud infrastructure available for open use by the general public.

Private cloud means cloud infrastructure available for the exclusive use by a single institution.

Community cloud means cloud infrastructure available for the exclusive use by a specific community of institutions or payment institutions, including several institutions of a single group.

Hybrid cloud means cloud infrastructure that is composed of two or more distinct cloud infrastructures.

Executive Committee (Management body) means the Bank's body or bodies, which are appointed in accordance with national law, which are empowered to set the Bank's strategy, objectives and overall direction, and which oversee and monitor management decision-making and include the persons who effectively direct the business of the Bank.