



HAITONG

**Internal Succession Policy for Members of the Management and
Supervisory Board and Key Function Holders
of Haitong Bank, S.A.**

Approved by General Meeting
on 30th of April 2021

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1. INTRODUCTION

The succession policy of Haitong Bank, S.A. (“Haitong Bank”) aims to define the future leadership profiles, manage associated gaps and identify and develop internal talent (i.e. who has the potential to fill key positions within the bank) in order to mitigate risks that may arise from the change in the leadership and ensure a sound and prudent management of the Haitong Bank in transition periods. It is recognised that a smooth transition process is key to ensuring a strong leadership aligned with Haitong Bank's strategy.

Under the EBA Guidelines on Internal Governance and Bank of Portugal (BoP) Notice (*Aviso*) 3/2020, the management body of a credit institution should identify and select qualified and experienced candidates and ensure appropriate succession planning for the management body, giving due consideration to any other legal requirements regarding composition, appointment or succession¹. The EBA Guidelines on Internal Governance and the BoP Notice (*Aviso*) 3/2020 also require that the management body should have a policy on selecting, monitoring and planning the succession of key function holders². Pursuant to the ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders (ESMA71-99-598 EBA/GL/2017/12)³ and BoP Notice 3/2020⁴, credit institutions should identify key function holders and assess their suitability in line with the policy on the nomination and succession of individuals with key functions.

To this end, organisations should proactively develop a talent pipeline to ensure the suitable people are in right roles at the right time to meet the demands of their business strategy. The Board of Directors must ensure in a timely manner that future successors will contribute to Haitong Bank's activity in a compliance framework, and considering a sustainable medium and long term strategy and compatible with the risk appetite defined for the institution, protecting the interests of depositors, investors, customers and other counterparties, as well as Haitong Bank employees.

¹ See Title III on EBA/GL/2017/11 Guidelines on internal governance.

² See art. 5^o/6 and 7 of the BoP Notice 3/2020; Title II, point 1, paragraph 23. g) on EBA/GL/2017/11 Guidelines on internal governance and the joint ESMA and EBA guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU.

³ See Title VI and VII.

⁴ See art. 41^o.

1.1 PURPOSE OF THE POLICY

Haitong Bank is committed to set up a succession programme and the current policy aims to formalise a prudent transition process, capable of finding and preparing successors for the most critical roles of Haitong Bank. Furthermore, this policy establishes the methodology that will be applied to enable a comprehensive understanding of the critical roles to its business model and strategy, the potential of the board members, key function holders and employees to fill the roles and any development they might require to help them get there.

1.2 GENERAL PRINCIPLES

This Succession Policy is defined and executed according to the principles of objectivity and transparency.

In order to ensure full compliance with these principles, Haitong Bank follows the succession model herein stated as well as the individual and collective assessments carried out under the Policy on Selection and Assessment of Members of the Management and Supervisory Boards and Key Function Holders (“Policy on Selection and Assessment”) approved by the General Shareholders Meeting.

This succession planning process enables Haitong Bank to:

- Be clear, transparent and simple regarding the deployment process;
- Provide a strong alignment with business priorities and Human Resources related processes such as talent acquisition and development and performance of key employees;
- Consistency in process definitions and terms around key positions profiles, identification of successors and assessments.

2. SUCCESSION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD AND KEY FUNCTION HOLDERS

Under the Policy on Selection and Assessment, an assessment covering the good repute, professional experience, independence and availability criteria must be conducted by the Corporate Governance Committee prior to the request for the Banco de Portugal’s approval of any member of the Board of Directors or Supervisory Boards. Also, the key function holders are subject to prior assessment and opinion of the Corporate Governance Committee before formal approval by the Board of Directors.

In addition to the requirements established by law and in the Policy on Selection and Assessment, it should be ensured that people who undertake such roles adhere to high ethical principles, values and behaviors and abide by the institution's corporate values as well as possess an extensive knowledge of Haitong Bank's activities. It shall be evaluated inter alia the: (i) academic and professional qualifications; (ii) extent of business knowledge; (iii) capacity of learning and development; (iv) leadership capacities; (v) professional and personal reputation; (vi) strategic vision; (vii) ability to promote good results; (viii) relational and communicational skills; (ix) motivation, values and personal conduct.

All members of Haitong Bank's staff should also previously notify the Compliance Department and seek approval by the Executive Committee before assuming any management or supervisory role on a corporate entity outside of Haitong Bank's Group.

2.1 SUCCESSION POLICY FOR MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

The succession process for members of the Board of Directors and Supervisory Board shall begin with the identification of the profile for each of the roles in the corporate bodies of the Bank.

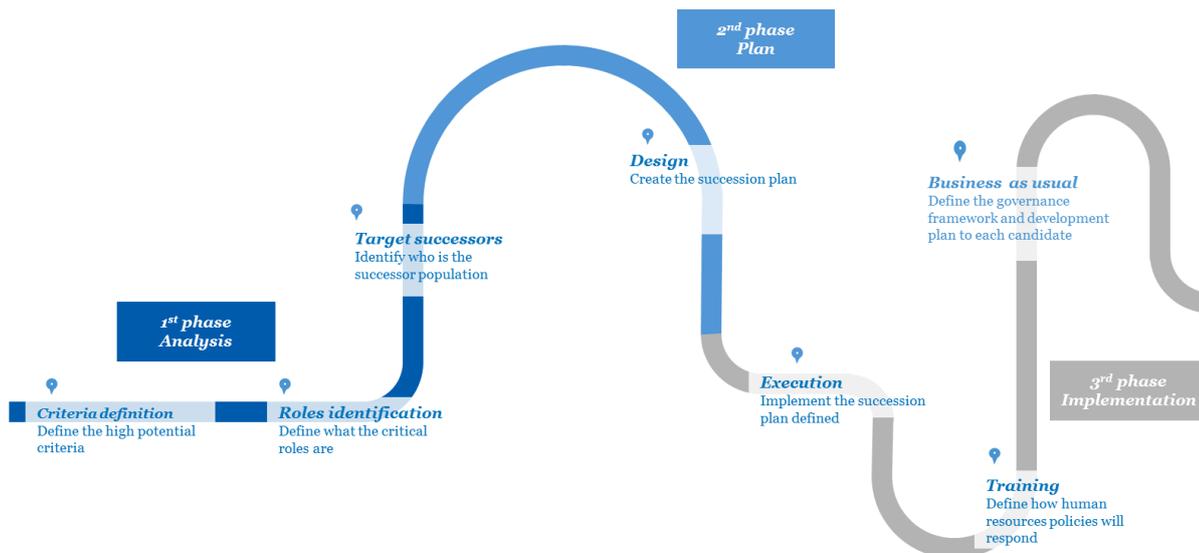
The profile must also describe the functions and qualifications and the time allocation needed to carry out such functions. The Corporate Governance Committee supports the Board of Directors with the profile definition for the roles above.

After profiles' definition and identification of people that meet such requirements, an assessment must be conducted by the Corporate Governance Committee under the Policy on Selection and Assessment. The process thereafter follows the terms foreseen in such Policy and in the applicable legal framework.

After the approval of candidates by the General Shareholders Meeting and by the Bank of Portugal, a specific training plan shall be created, which must be followed by the concerned members of the Board of Directors, so that new members can acquire the knowledge and skills necessary to carry out the functions at the succession period.

2.2 SUCCESSION POLICY FOR KEY FUNCTION HOLDERS

The Succession Policy for key function holders herein presented considers an approach based on 3 phases:



Phase 1 - Analysis:

In this first phase, a clear understanding of the most critical roles of Haitong Bank is needed. The roles of the heads of the internal control functions, namely the heads of the risk management function, the compliance function and the internal audit function, fall within the category of 'key function holders'. Furthermore, according to article 18 of BoP Notice 3/2020, other critical roles which may have a material impact upon the business performance and the risk profile should be identified. For such assessment, Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (OJ L 167, 6.6.2014) shall be taken into account. The list of "Identified Staff" shall be reported to the Bank of Portugal on an annual basis and have the contents set out in BoP Instruction 18/2020.

In addition, the Human Resources Department shall proceed with the identification of high potential employees through the performance assessment in place. These assessments will be used as an input to identify high-performance and high-potential employees as potential successors for leadership roles.

A list of key competences must be developed for identified roles, clarifying what skills are required to be successful, so that any potential successors can be identified through their 'fit' with the critical role.

The process in detail to be followed is the following:

- Define the criteria to evaluate the importance of a role in the Institution;
- Identify what roles are more critical for Haitong Bank;
- Outline the key competences and responsibilities attached to each role to understand and list what skills are needed;
- Define high potential personal and professional criteria for Haitong Bank, ensuring successors meet both a minimum performance, capacity and potential threshold;
- Evaluate critical roles to identify what it takes to be successful in the role;
- Identify who is the potential successor for each role drawing from a wider talent pool and proactively planning for the future, considering the performance assessment carried on, individual meetings held and any other processes necessary to identify the potential successor;
- Identify the roles in relation to which it was considered that there are no adequate successors within the bank and develop a plan to find people with skills and capacities to be hired to be trained and to acquire the relevant information.

Phase 2 – Plan:

Following the assessment above mentioned, potential successors can be grouped to critical roles according to the following table, identifying two pools of potential successors for each role, as shown in the table below:

Critical Roles - Names	Department	Category	Role	Highest Education Degree	Potential candidates for succession			Years of experience for role	Main Skills for the Role		Suggested Training
					Deputy	Short term(next 2 years)	Medium term (next 5 years)		Education	Soft Skills	

Thereafter, the development of specific Succession Plans is required. For these purposes, the following process shall be executed by creating a development plan:

- In relation to each employee identified as a potential successor for a high position, ensuring that such employees are involved in the key processes associated with the relevant roles in order to enable the smooth transfer of knowledge, when necessary;
- To find successors to the roles in relation to which it was considered that there are no adequate successors within Haitong Bank.

At the end of this phase, the Corporate Governance Committee appraises and reviews the individual evaluation report for each of the candidates in order to assess which candidate is best suited to the needs of the institution. This candidate must be submitted and approved by the Board of Directors.

Phase 3 - Implementation:

Once a robust development map and role evaluations for critical roles have been developed, the following steps shall be followed:

- Improve the current performance assessment in place in order to ensure that the assessment criteria are the most appropriate and suitable considering the strategy and the risk taking profile of the institution;
- Implement the development plans defined;
- Define a training plan to the employees, in special to the potential successors, to give them the skills and capacities that are more needed for the bank.

3. REVIEW

The succession plan should be dynamic and flexible to allow for changes whenever relevant.

Therefore, the Corporate Governance Committee appraises and reviews the elements of the succession plan prepared by the Human Resources Department on a regular basis, at least annually, and the results of those reviews shall be documented.

The annual reviews of the succession plan shall be submitted to the analysis of the Board of Directors and to the approval by General Meeting.

4. CONTROL OF VERSIONS

This Policy should be reviewed annually and made available on intranet and website.

Table 1: Information about the Document

Name of the Document	Internal Succession Policy for Members of the Management, Supervisory Board and Key Function Holders of Haitong Bank S.A
Version	Version 3.0
Prepared by (Name/Department)	Compliance Department / Human Resources Department
Endorsed by (Committee name)	Corporate Governance Committee
Approved by (Committee name)	General Meeting

Table 2: Versions' update

Update and Approval Date	Main Changes
Version 1.0 – approved by the Board of Directors on August 17 th , 2017	Original Version
Version 2.0 – approved by the Board of Directors on December 10 th , 2018	Updated regarding EBA Guidelines
Version 3.0 – approved by General Meeting on April 30 th , 2021	Updated according with BoP Notice 3/2020 and clarification regarding Succession Plan approval.