



HAITONG

Policy No. HRD01.P14
Internal Succession Policy for Members of the Management and
Supervisory Bodies and Key Function Holders
of Haitong Bank, S.A.

Approved by the Shareholder
on 28/12/2023

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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 Haitong Bank) in order to mitigate risks that may arise from the change in the leadership and ensure a sound and prudent management of 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.

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.

2. LEGAL FRAMEWORK

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. It also requires that the management body has in place 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 (joint ESMA71-99-598 and EBA/GL/2021/05)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.

¹ See Title III on EBA/GL/2021/05 Guidelines on internal governance.

² See art. 5, 6 and 7 of the BoP Notice 3/2020; Title II, point 1, paragraph 22. g) on EBA/GL/2021/05 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 Section II.

⁴ See art. 41^o.

3. RECIPIENTS

This Policy applies to members of the Management and Supervisory Bodies and to Key Function Holders of Haitong Bank, its branches, representative offices and subsidiaries.

4. PRINCIPLES

The purpose of the Succession Policy, in line with the principles of the EBA and Notice 3/2020 of the Bank of Portugal, is to facilitate leadership transitions, promote stability and support effective governance. This policy establishes a methodology to comprehensively assess critical roles within the Bank's business model and strategy, evaluate the potential of members of the corporate bodies, key function holders, and employees to assume these roles, and identify any necessary development initiatives to support their progression.

5. RESPONSIBILITY AND MONITORING

- a. This Policy was prepared by the Human Resources Department.
- b. The Corporate Governance Committee (CGC) shall revise this Policy on a regular basis, submitting its recommendations for improvement to the management body.
- c. Upon reception of any recommendations from the CGC, the management body shall approve the recommendations made by the CGC, or it shall provide adequate reasons for its refusal, identifying alternative solutions, in case it has detected any defect or the Policy was found to be out of date in relation to the relevant law, or to EBA's, the Bank of Portugal's or the Securities Commission's recommendations.
- d. This Policy shall be submitted to the Bank's shareholder for final approval.
- e. The succession plan should be dynamic and flexible to allow for changes whenever relevant.
- f. 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.
- g. 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.

6. GENERAL PRINCIPLES

The Succession Policy is designed based on the principles of objectivity and transparency. To ensure compliance with these principles, Haitong Bank follows both the defined succession model in this policy as well as the individual and collective assessments conducted under the Policy on Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holders, as approved by the General Shareholders Meeting.

This succession planning process enables Haitong Bank to achieve the following:

- Ensure clarity, transparency, and simplicity in the planning process;
- Establish a strong alignment with business priorities and Human Resources processes, such as talent acquisition, talent development, and performance management of key employees;
- Promote consistency in defining processes and terms related to key position profiles, successor identification, and performance assessments.

The Succession Policy incorporates various elements, with a primary focus on the identification and description of detailed job profiles. These profiles encompass the organizational role of each relevant position, outline key responsibilities, and highlight interactions specific to each identified role. Furthermore, the policy takes into account the academic background, professional experience, and essential management skills or specific abilities required for each relevant position.

7. SUCCESSION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES 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 Management Supervisory Bodies. 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.

7.1 SUCCESSION POLICY FOR MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

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

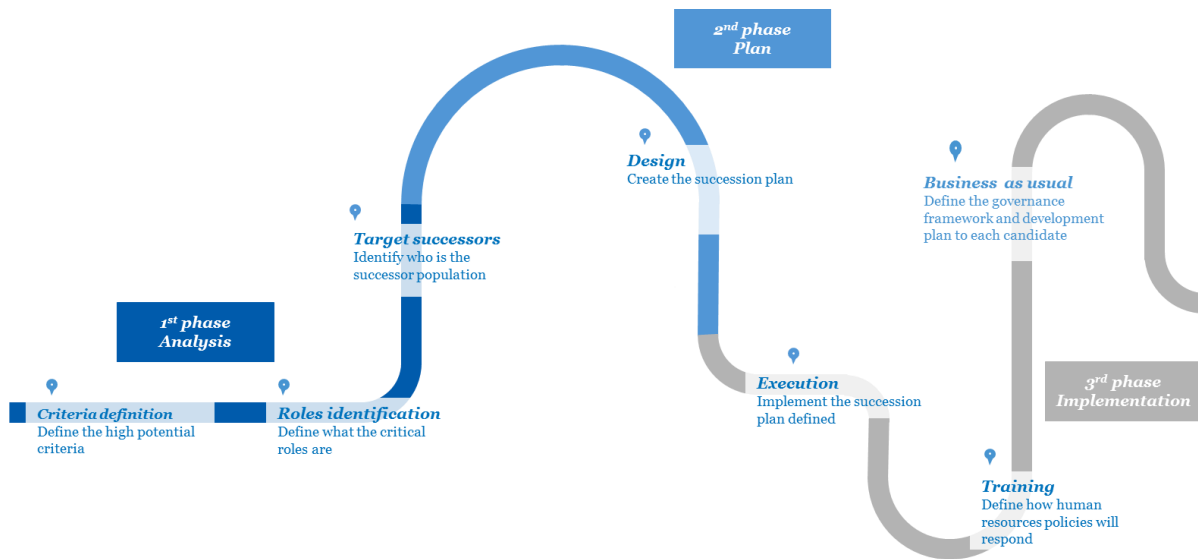
The profile must also describe the functions and qualifications and the time allocation needed to carry out such functions. The Corporate Governance Committee supports the Board of Directors with the profile definition for the roles above.

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.

7.2 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) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit’s risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution’s risk profile that is comparably as material as that of staff members or categories of staff referred to in Article 92(3) of that Directive. 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 out, 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 particular to the potential successors, to give them the skills and capacities that are more needed for the bank.

8. DIVERSITY

Within the arrangements to find suitable successors, and in addition to promoting diversity in terms of qualifications and skills, Haitong Bank should also strive to increase the representation of the underrepresented genders, as per the goal defined in the Policy on the Selection and Assessment of Management and Supervisory Body members and Key Function Holders of Haitong Bank.

For that effect, Haitong Bank will develop positive measures, such as training programs and others specifically targeted to candidates who can contribute to increase the representation of underrepresented genders.

9. DISCLOSURE

This Policy should be made available on the Bank's intranet and website and any updates thereto should be duly communicated by e-mail to all the Bank's employees.

10. CONTROL OF VERSIONS

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 5.0
Prepared by (Name/Department)	Compliance Department / Human Resources Department
Endorsed by (Committee name)	Corporate Governance Committee
Approved by (Committee name)	Shareholder

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.
Version 4.0 – approved by General Meeting on April 25 th , 2023	Update of legal framework - new EBA Guidelines EBA/GL/2021/05.
Version 5.0 – submitted to Corporate Governance Committee on 04/07/ 2023 and approved by General meeting on 28/12/.2023	Annual Revision; Inclusion of section “1.2 Recipients; 1.3 – Responsibility and 1.4 – Disclosure;Update of sections “1.3. General Principles”, “2.2. Succession Policy for Key Function Holders” (applicable regulation); Inclusion of Section “3. Diversity”, which includes provisions regarding Gender diversity according with EBA Guidelines and the Policy on Selection and Assessment of HB