

POLICY ON SELECTION, DIVERSITY AND SUITABILITY OF DIRECTORS AND SENIOR MANAGEMENT

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1. INTRODUCTION

- 1.1 The effective functioning of governance bodies is a key aspect of good governance of regulated companies and therefore establishing an appropriate best practice structure and board composition is a priority. In this respect, the adequacy of membership is vital to ensure that boards of directors are effective.
- 1.2 There are several guides on good corporate practices, the Good Governance Code for Listed Companies ("**Good Governance Code**") published by the Spanish Securities and Exchange Commission ("**CNMV**"), which indicates that the board of directors should approve a policy for the appointment of directors.
- 1.3 In the same vein, Article 88.1 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 relating to the taking up of the business of credit institutions and the prudential supervision of credit institutions and investment firms provides that firms shall ensure that the management body defines a policy for assessing the suitability of its members. In Spain, the requirements, conditions and key aspects of the suitability assessment procedures are mainly governed by Royal Legislative Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Market Law ("**TRLMV**") and Royal Decree 217/2008, of 15 February, on the legal regime for investment services firms and other entities providing investment services ("**RD 217/2008**").
- 1.4 In addition, the Joint Guidelines of the European Securities and Markets Authority ("**ESMA**") and the European Banking Authority ("**EBA**") on the assessment of the suitability of members of the management body and staff in key positions (EBA/GL/2017/12) require institutions to ensure that there is a policy in place within a group context to assess the suitability of all members of the management body and staff in key positions, which is mandatory for all subsidiary undertakings, including within the prudential scope of consolidation, notwithstanding that subsidiaries subject to Directive 2013/36/EU may adopt and apply a suitability policy in an individual context, provided that it is consistent with the policy established at a consolidated level.
- 1.5 Just as the appropriate composition of the Board of Directors is a priority to ensure its efficient functioning and vital for the good governance of investment firms, the selection procedure for senior management is also of vital importance, as they act as the link between the Board of Directors and the rest of the organisation. This requirement also extends to those responsible for internal control functions, as key players in the functioning of internal governance arrangements, and, where appropriate, to those responsible for other key functions.
- 1.6 The suitability requirements and the selection and evaluation procedures established shall be without prejudice to any other substantive or procedural rules of a legal, regulatory or, in this case, good business practice nature or rules regulating the capacity, obligations and requirements of the persons subject to these procedures with respect to their appointment and continuity in their respective positions.
- 1.7 As a consequence, the Board of Directors of Tradition Financial Services España, S.V. S.A. (the "**Company**") has resolved to approve this policy for the selection, diversity and suitability assessment of directors and senior management (the "**Policy**"), which forms part of the Company's system of good business practices and includes the main principles and commitments of the Company and the group of companies to which it belongs, the *Tradition London Group* ("**Tradition Group**") regarding the selection and suitability assessment of directors, senior management and employees in key positions at Group level (the "**Group Policy**").

2. **POLICY OBJECTIVE**

- 2.1 The purpose of this Policy is to set out the principles, criteria and key aspects, both organisational and procedural, for assessing the suitability of the members of the board of directors of the Company (the "**Board of Directors**") and senior management, and, in particular, the selection processes for their appointment, always in accordance with applicable regulations and best business practices.

3. **SCOPE OF APPLICATION**

- 3.1 This policy shall apply to the Company. More specifically, its provisions shall govern the selection and suitability assessment for members of the Board of Directors proposed for re-election and for candidates proposed for appointment as directors.
- 3.2 The Company will be governed by both the Group Policy and this Policy. The Policy, which will only apply to the Company, is a supplement to the Group Policy, which incorporates specific requirements that are not included in the Group Policy and which will apply to the Company in accordance with Spanish law. The reference to the "**Adequacy Policy**" should be understood as a reference to the Group Policy together with this Policy.
- 3.3 Where a director is a legal person, the natural person appointed for the purpose of representation shall comply with the legal requirements established for directors and shall comply with the same obligations as the legal person that is the director and shall be jointly and severally liable with the latter, subject to the provisions of this Policy. Likewise, this Policy shall also apply to the procedures for selecting and assessing the suitability of candidates for senior management positions.

4. **FUNDAMENTAL PRINCIPLES**

- 4.1 Every effort will be made to ensure that the composition of the Board of Directors is diverse and balanced.
- 4.2 With regard to the processes for selecting members of the Board of Directors, in order to guarantee the coexistence of different opinions on the Board of Directors, the responsible bodies shall at all times take into account the principle of diversity, specifically gender diversity, in addition to others such as diversity of training and professional experience, age and geographical origin, among others, as well as the principle of equal treatment and non-discrimination, guaranteeing that the selection of the under-represented gender among the candidates proposed for appointment or resignation as members of the Board of Directors shall be promoted, avoiding any form of discrimination.
- 4.3 With regard to the selection of staff for senior management positions, the priority should be to attract and retain appropriate profiles, ensuring the identification, attraction, retention and development of talent while promoting competition at all times for each specific position and, whenever possible, favouring diversity, for which proposals will always take into account the principles of equal treatment and non-discrimination.
- 4.4 Resolutions adopted under the Policy must always comply with applicable law, regulations and the Company's and Tradition Group's system of good corporate practices, and must take into account the principles and recommendations of good business practice.

5. **GOOD BUSINESS PRACTICES**

5.1 **Board of Directors**

In accordance with current legislation and the Company's Articles of Association, the Board of Directors shall be responsible for:

- (a) The approval of this Policy;
- (b) In relation to persons to be nominated for positions on the Board of Directors, inter alia:
 - (i) Prepare a suitability assessment report on persons whose appointment as director is being considered on the basis of such suitability assessment.
 - (ii) Prepare an explanatory report assessing the competence, experience and merits of the candidate proposed for appointment or re-election as director, which must in all cases accompany the proposal for appointment or re-election and be attached to the minutes of the General Assembly or the Board meeting itself.
 - (iii) Prepare a proposal for appointment or re-election or removal of executive directors for submission to the Board of Directors.
 - (iv) Ensure that the procedures for selecting members of the Board of Directors promote gender equality in particular and also diversity of education and professional experience, age and geographical origin, among others, and in general, those that do not involve any implicit bias that results in discrimination of any kind.
 - (v) Approval of the Governing Board's capability matrix.
- (c) With regard to members of senior management in the Company, inter alia:
 - (i) Assess the skills, knowledge and experience of senior management and other staff in key positions, including those with internal control functions.
 - (ii) Appointment and removal of senior management, including those with internal control functions.

5.2 **Tradition Group Remuneration, Nomination and Allocation Committee ("Tradition Group Committee")**

In accordance with article 36 of Royal Decree 217/2008, the committees of the Tradition Group shall assume the duties described below for the benefit of the Company.

- (a) In relation to administrators, inter alia:

The Tradition Group Committee will be responsible for overseeing the selection processes for trustees and will have, inter alia, the following core responsibilities:

- (i) Presentation to the Board of Directors of proposals to appoint or remove directors.
- (ii) Assessment of the suitability of candidates for the post of Director, taking into account the functions involved and the skills required, the time and dedication necessary to carry out their duties efficiently and a willingness to ensure the good governance of the institution, and submitting such suitability report to the Board of Directors.

- (iii) To inform the Board of Directors of any diversity issues, specifically with regard to gender diversity, as well as diversity of education and professional experience, age or geographic origin, and to facilitate the selection to the Board of Directors of the under-represented gender, as well as to establish guidelines to achieve this objective, ensuring compliance with the diversity provisions of the Suitability Policy, which will be set out in the Annual Corporate Best Practice Report.
 - (iv) Periodically (at least once a year) assess the suitability of the members of the Board of Directors and the Board of Directors and the Board of Directors as a whole, reporting in a timely manner to the Board of Directors.
 - (v) Prepare and continuously update a capability matrix for the Governing Board, which will be submitted to the Governing Board for approval.
 - (vi) Periodically (at least once a year) assess the structure, size, composition and tasks of the Board of Directors and its committees.
 - (vii) Under the coordination of the Chairman of the Tradition Group Committee and in cooperation with the Chairman of the Board of Directors, to analyse and organise the succession of the Chairman and, in cooperation with the Chairman of the Board of Directors, to analyse and organise the succession of the Chief Executive Officer of the Company and, where appropriate, to prepare proposals to be submitted to the Board of Directors for such succession to take place in an organised and well-planned manner.
- (b) As far as senior management is concerned, among other things:
- (i) Prepare and submit to the Board of Directors a report on proposals for the appointment and removal of senior officers and other persons occupying key positions, assessing the skills, knowledge and experience required. These proposals may be made directly when they refer to senior managers in respect of whom it is considered that this initiative should be taken, either because of their control functions or their role in assisting the Board of Directors or its committees.
 - (ii) Periodic assessment (at least once a year) of the suitability of senior management.

The Tradition Group Committee may use such resources as it deems appropriate to carry out its tasks under this Policy, including seeking external advice.

5.3 **Department of the Secretary General of the Tradition Group and Secretary of the Board of Directors**

It provides advice to the Board of Directors and its committees in carrying out their duties in this area. It shall be responsible, inter alia, for the following:

- (a) To submit proposals to the Tradition Group Committee for the draft version of this Policy.
- (b) Review adaptations to this Policy, checking before approval that they are in line with Group Policy. Report to both the Company and the Tradition Group Committee.

- (c) Assist the Tradition Group Committee to establish the skills matrix.
- (d) Assisting the Tradition Group Committee in the completion of suitability assessments and issuing the corresponding reports for which he/she is responsible.
- (e) Serve as a channel of communication with supervisory authorities in this regard.

5.4 **Staff in internal control positions of the Tradition Group**

- (a) The Controlling Director and staff in Risk, Compliance, Customer Contact Risk and Group Controlling positions shall participate in the procedures for appointing and dismissing the holders of the respective positions in the Company. For this purpose, during the selection (or dismissal) process, the Company shall nominate the proposed candidates to the head of the relevant function in the parent company, who shall then send a report to the Company.
- (b) They shall also participate in the regular procedures for assessing the performance of the relevant office holder in the Company, and shall send a report to the subsidiary before a decision is taken.

5.5 **External advice**

If deemed appropriate, the bodies and persons responsible for appointing members of the Board of Directors, Senior Management and other personnel in key positions may request that legal advice, expertise or human resources consultancy firms be engaged at the Company's expense.

6. **REGULATIONS APPLICABLE TO DIRECTORS**

6.1 **Key aspects of the Board's diversity policy**

- (a) An appropriately diverse composition of the Board of Directors, in accordance with the principles listed in section 4 of this Policy, will ensure that the Board of Directors reflects a broad range of expertise, qualities, experiences and perspectives, thereby fostering diverse and independent views and a sound and mature decision-making process.
- (b) Ensuring an appropriately diverse composition of the Board of Directors is therefore a key aspect of this Policy and of the selection and suitability assessment procedures, and should therefore be taken into account throughout the selection and suitability assessment process.
- (c) The Board of Directors of the Company and the Tradition Group Committee attach particular value to gender diversity and also to diversity of education and professional experience, age and geographical origin, together with the principle of non-discrimination and equal treatment.
- (d) In particular, the following considerations shall be taken into account.
 - (i) In addressing the selection and re-election processes for directors, the objective of promoting diversity of gender, knowledge, professional background and experience, age and geographical origin in the composition of the Board of Directors should be considered when assessing the suitability of its members.

- (ii) The Board of Directors and the Tradition Group Committee shall at all times endeavour to ensure an appropriate balance of skills and experience and also facilitate the selection of candidates of the under-represented gender, avoiding any discrimination in this regard.
- (iii) In making an assessment of the composition and competencies of the Board of Directors, the diversity aspects mentioned above should be taken into account.

6.2 Suitability requirements for members of the Board of Directors

(a) Individual requirements for appointment as a director

- (i) Candidates for a seat on the Board of Directors and the Company's directors themselves must meet the suitability requirements for their positions, in accordance with applicable law.
- (ii) In particular, they must be of recognised professional and business reputation, have the appropriate knowledge and experience to carry out their duties and be able to exercise good governance of the Company.

(b) Requirements applicable to the Board of Directors in general

- (i) The selection of candidates proposed as members of the Board of Directors of the Company shall take into account the conditions set out in current legislation regarding the composition of the Board of Directors.
- (ii) In particular, the composition of the Board of Directors as a whole should bring together sufficient knowledge, skills and experience and have an adequate understanding of the Company's activities, including its main risks, and ensure an effective ability of the Company to make autonomous and independent decisions in the interest of the Company.
- (iii) The Tradition Group Committee, taking into account the necessary balance of knowledge, experience, skills and diversity on the Board of Directors, will prepare and continuously update a skills matrix, which will be submitted to the Board of Directors of the Company for approval.
- (iv) Where appropriate, the results obtained by applying the matrix may be used to identify future training needs or areas for reinforcement when making future appointments.

6.3 Training of the members of the Board of Directors

The training policy for directors is an important aspect in that it ensures the suitability of directors at all times and enhances their skills, knowledge and competencies through a range of training activities.

Specifically, there are two types of training: initial training for directors, consisting of induction and induction programmes, and annual continuous training plans.

The Company shall at all times ensure that sufficient human and financial resources are available to ensure that the training objectives are met and to ensure that all members of the governing body are fit for office and capable of fulfilling their duties.

(a) Welcome and integration programmes

- (i) Before the candidate is appointed but after his or her suitability has been assessed, if the Company or the supervisory authority identifies any additional training requirements, extraordinary training for Directors or candidates may be allocated. This shall be provided within the period set by the supervisor, where applicable, or as soon as practicable in all other cases, and always within one year of the director taking office.
- (ii) Likewise, after their appointment, the directors must receive all the initial information, so as to ensure their correct integration into the Company, within six months of taking office, and also basic information on the Company within one month of taking office.
- (iii) The objective of the programmes is to provide Directors with a clear picture of the structure, business model, risk profile, and good business practices of the Company and the Tradition Group, in particular with regard to the applicable regulatory framework. It should also include all matters that a new director is deemed to need to be informed of, at any time, in order to carry out his or her duties within the Board of Directors.

6.4 Succession plan of the Board of Directors

- (a) In accordance with the Policy, the Tradition Group Committee shall be responsible for considering and organising the succession of the Chairman, and for analysing and organising the succession of the Chief Executive Officer of the Company (in collaboration with the Chairman), and also, where appropriate, for preparing proposals to the Board of Directors with the objective of ensuring that the succession is carried out in a planned and orderly manner.
- (b) These plans should also set out procedures to cover any sudden or unexpected absence or departure of any of the members of the Board of Directors, and should provide for the possibility of interim appointments. Succession plans should also take into account the objectives and purposes of diversity as described in section 6.1 of this Policy, as well as other applicable corporate law and regulations.

7. REQUIREMENTS FOR SENIOR MANAGEMENT AND OTHER PERSONNEL IN KEY POSITIONS

Senior management and other key positions should be filled by individuals with a recognised commercial and professional reputation. They should also have appropriate knowledge and experience. In assessing the knowledge and experience required for each position, the skills, duties and specific characteristics of the position under evaluation shall be taken into account.

8. SELECTION AND EVALUATION PROCEDURES

- 8.1 As set out in section 5.1 of this Policy, the body responsible for assessing the suitability of candidates and directors for any other position or function covered by this Policy is the Board of Directors of the Company, together with the Tradition Group Committee, the latter being responsible for preparing a suitability assessment report on each candidate for director or other relevant position or function and submitting it to the Board, which will take it into consideration in making its final decision.

9. APPROVAL OF THE POLICY

- 9.1 The Board of Directors of the Company shall be responsible for approving this Policy and any updates thereto.

