



**REMUNERATION POLICY FOR MANAGEMENT AND
SUPERVISORY BODIES OF NOVOBANCO**

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1. Legal and Regulatory Framework

This Remuneration Policy (“Remuneration Policy”) contains the principles and rules for the remuneration of the members of the Management and Supervisory Bodies (the “Members”) of Novo Banco, S.A. (“novobanco” or “Bank”) and is established pursuant to Article 115-C of the Legal Framework of Credit Institutions and Financial Companies (“*Regime Geral das Instituições de Crédito e Sociedades Financeiras*”) as well as Articles 26-A to 26-C of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

This Policy has been prepared considering the applicable regulations and legislation, notably the following:

- Portuguese Companies Code (“Código das Sociedades Comerciais”);
- Legal Framework of Credit Institutions and Financial Companies (“RGICSF”);
- Portuguese Securities Code (“Código dos Valores Mobiliários”);
- Directive No. 2013/36/EU of the European Parliament and of the Council;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council;
- Directive 2014/17/EU of the European Parliament and its transposition by Decree-Law No. 74-A/2017;
- Directive No. 2014/65/EU (MIFID II) of the European Parliament and of the Council on markets in financial instruments, its Regulations and transposition by Law No. 35/2018;
- EBA/GL/2016/06 - Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services;
- Report on risk of conduct and mis-selling of investment products by the National Council of Financial Supervisors of 3 March 2016;
- Decree-Law No. 91/2018, of 12 November, transposing into Portuguese law of the Payment Services Directive (Directive 2015/2366/EU);
- Law No. 7/2019, of 16th January, on insurance distribution, transposing into Portuguese law the Directive (2016/97/EU);
- Regulation (EU) No. 2019/2088 of 27 November 2019 on disclosure of sustainability-related information in the financial services sector;
- EBA/GL/2020/06 – Final Report Guidelines on loan origination and monitoring;
- Bank of Portugal Notice No. 3/2020;
- Bank of Portugal Instruction No. 18/2020;
- Commission Delegated Regulation (EU) No. 2021/923 of 25th March;
- EBA/GL/2021/04 - Guidelines on sound Remuneration Policies under Directive 2013/36/EU;
- EBA/GL/2021/05 - Guidelines on Internal Governance;
- List of significant supervised entities and list of less significant institutions of the European Central Bank.

Remuneration related regulation determines the adoption of and compliance with remuneration practices that are consistent with prudent, sound and effective risk management and do not encourage excessive risk-taking or promote situations that generate conflicts of interest with clients.

This Remuneration Policy is based on the guiding principles of meritocracy and transparency to achieve the recognition of high performance and it takes into account the following elements:

- i) long-term objectives, business strategy and interests;
- ii) corporate nature and structure;
- iii) corporate culture and values;
- iv) risk strategy, culture and appetite, including environmental, social and governance (ESG) risk factors;
- v) shareholders' long-term interests;
- vi) prevention of conflicts of interest and no incentive for excessive risk-taking.

In addition, this Remuneration Policy and its implementation shall promote and encourage the ethical and professional conduct of all Members and reflect the following principles: equal treatment between clients, pursuit of the best interest of the Bank's clients and application of the best remuneration practices on the sale of products, and prevention of conflicts of interest.

The Policy is gender neutral, meaning equal remuneration for equal work or work of equal value.

The Bank shall ensure that the award, vesting and pay out of variable remuneration, is not detrimental to maintaining a sound capital base. For such purpose the Bank shall take into account its Common Equity Tier 1 capital and the remaining capital requirements.

The Bank shall include the impact of variable remuneration – both upfront and deferred amounts – in its capital and liquidity planning and in its overall internal capital adequacy assessment process.

Variable remuneration shall not be awarded or paid out when the effect would be that the capital base of the institution would no longer be sound.

The Bank shall consider all regulatory requirements, when determining:

- i) the total variable remuneration pool that can be awarded for a certain year; and
- ii) the amount of variable remuneration that will be paid out or will be vesting in that year.

The level of risk the Bank is willing to assume will be aligned with the internal capital adequacy self-assessment process (ICAAP) whose methodology and governance model is available in the Market Discipline Report.

The Policy is also consistent with the objective of the integration of sustainability risks. Some evidence of this consistency is:

- i) the limits established for the assignment and payment of remuneration;
- ii) the multi-year framework to ensure that the evaluation process is based on long-term performance and that the effective assignment of the tranches of the Variable Remuneration is deferred for a defined period, taking into account the Bank's business cycle and business risks;
- iii) the risk adjustment mechanisms ("Malus" and "Clawback") to avoid excessive risk-taking;

- iv) The fact that only the independent members of the General Supervisory Board are entitled to a fixed remuneration.

The Remuneration Policy for Staff Members is an autonomous Policy but consistent and aligned with this Policy, which is subject to approval by the Executive Board of Directors following a recommendation by the Remuneration Committee and subject to final approval by the General and Supervisory Board.

This Remuneration Policy is complemented by the Remuneration Units Regulation.

2. Scope

This Remuneration Policy is applicable to the following Members:

- Members of the General and Supervisory Board;
- Members of the Executive Board of Directors;
- Statutory Auditor or "ROC".

Novobanco shall ensure that the Financial Subsidiaries and any Branch adopt the guidelines and rules set out in this Remuneration Policy, by the means of its approval by the respective competent corporate bodies, as applicable, and subject to the legal requirements applicable to each of these entities. Novobanco and its financial branches and subsidiaries coordinate, through the Human Capital Department, the adoption of this Remuneration Policy.

3. Remuneration Policy Governance Model

3.1. General and Supervisory Board and respective Committees

The General and Supervisory Board is responsible for adopting and maintaining the Remuneration Policy, and overseeing its implementation to ensure it is fully operating as intended, acting together with the Remuneration Committee.

The General and Supervisory Board shall collectively have adequate knowledge, skills and experience with regard to remuneration policies and practices as well as of incentives and risks that can arise therefrom, including with regard to the mechanisms for aligning the remuneration structure to the institutions' risk profiles and capital structure.

The General and Supervisory Board, the Remuneration Committee, the Risk Committee and the internal control functions shall work closely together and ensure that the Remuneration Policy is consistent with and promotes sound and effective risk management.

The responsibilities of the General and Supervisory Board Committees with regard to remuneration matters are described in the respective Terms of Reference.

3.2. Remuneration Committee

The Remuneration Committee of the General and Supervisory Board of novobanco was established pursuant to Article 6(3)(c) of its Articles of Association. Since novobanco is considered a significant institution, the existence of this committee is mandatory under the terms of Article 115(H) of the RGICSF.

The Remuneration Committee is composed of three members elected by the General and Supervisory Board amongst its own members, and the majority of its members, including the Chairman, are independent.

The Remuneration Committee must observe the long-term interests of shareholders, investors and other stakeholders. The Remuneration Committee must be prepared to make informed and independent judgments about the remuneration policies and practices and on the incentives those policies and practices have on the risk, capital and liquidity management.

The Remuneration Committee is the delegated Committee of the General and Supervisory Board responsible for remuneration and compensation related matters, in particular regarding the remuneration of the members of the Executive Board of Directors and provides its support and advice to the General and Supervisory Board on the design of the Remuneration Policies, including the assurance that the Policy is gender neutral and supports the equal treatment of staff of different genders;

The responsibilities of the Remuneration Committee are set out in the respective Terms of Reference approved by the General and Supervisory Board.

In particular, the Remuneration Committee:

- a) prepares the Bank's remuneration policies and proposes their amendments;
- b) negotiates the contractual terms of agreements to be entered into with any prospective member of the Executive Board of Directors of the Bank;
- c) defines annually the KPIs of the Executive Board of Directors;
- d) assists the General and Supervisory Board in the preparation of the decisions related to the remuneration of the members of the Executive Board of Directors, including the total variable remuneration to be awarded to such members;
- e) sets, based on the criteria defined in the Remuneration Policies for Management and Supervisory Bodies, if there is a budget for Variable Remuneration and if so, defines the maximum amount to be considered.;
- f) determines annually the value of the Remuneration Units taking into account the overall performance of the Bank and other criteria;
- g) prepares once a year a report regarding the annual review and assessment of the remuneration policies to be presented to the General and Supervisory Board, to the Shareholders' Meeting and to the Executive Board of Directors. This assessment is made with the assistance of the control functions of the Bank should include (i) an analysis of whether the remuneration practices and processes are in compliance with the remuneration policy and (ii) an analysis of whether the existing remuneration policy is still up to date and, if necessary, the appropriate proposals for changes;
- h) assists the General and Supervisory Board and the Executive Board of Directors regarding the monitoring of remuneration processes, policies and practices and monitors the implementation of the Remuneration Policies, notably regarding the prevention of conflict of interests established in the applicable laws, regulations and guidelines;

- i) supervises the remuneration of control functions (Compliance, Risk and Internal Audit), providing, whenever applicable, recommendations to the General and Supervisory Board on the definition of the remuneration package and the remuneration to be awarded;
- j) collaborates with other committees whose activities may have an impact on the drafting and the correct functioning of remuneration policies and practices;
- k) coordinates the proper involvement of the relevant internal structures (e.g., the Risk Committee and the Compliance Committee) and departments (e.g. human capital, legal, compliance and risk) within their respective areas of expertise and, where necessary, obtains external advice;
- l) assesses the mechanisms and systems adopted to ensure that the remuneration systems take into due account all types of risks as well as levels of liquidity and own funds, that the global remuneration policy is consistent with and promotes sound and effective risk management and is in harmony with the institution's corporate strategy, objectives, culture and business values and the institution's long-term interests;
- m) assesses the achievement of performance targets related to the variable remuneration awarded by the Bank and the need for ex post risk adjustment, including the application of malus and clawback arrangements;
- n) analyses a set of possible scenarios to test how remuneration policies and practices react to external and internal events, as well as the criteria used to determine remuneration allocation and ex ante risk adjustment based on actual risk outcomes;
- o) ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level (higher than 100% up to 200%) of the ratio between variable and fixed remuneration;
- p) receives and reviews annual information from the Compliance function related with the distribution of financial products, mortgage credit, payment services and insurance products to clients in order to consider this information in the proposals or decisions related with the remuneration of Executive Board of Directors members;
- q) monitors the decision remuneration process of the financial subsidiaries' management and supervisory bodies;
- r) any other duties assigned to the Committee pursuant to the remuneration policies and applicable laws and regulations.

The Remuneration Committee shall have a general oversight and challenging role regarding all remuneration matters, policies and procedures across the Bank and shall (i) have access to all data and information concerning the decision-making process at the Bank on the remuneration policies and practices design and implementation, oversight and review, and (ii) have unfettered access to all information and data from independent control functions, including risk management and shall ensure the proper involvement of the independent control and other relevant functions (e.g. human resources, legal and strategic planning) within the respective areas of expertise and where necessary seek external advice.

3.3. Other Board Committees

The Risk Committee shall examine whether incentives provided by the remuneration policies and practices take into consideration the Bank's risk, capital, liquidity and the likelihood and timing of earnings and are aligned to the overall risk appetite framework, and for this purpose:

- to ensure that the Remuneration Committee benefits from the perspective of the Risk Committee, matters related to remuneration and risk that is included in the Remuneration Committee's agenda shall also be added to the Risk Committee's agenda where deemed appropriate;
- A member of the Risk Committee might participate in the meetings of the Remuneration Committee at the request of the Remuneration Committee;
- Members of the Remuneration Committee may also participate in the meetings of the Risk Committee at the request of the Risk Committee when assessing the impact on the Remuneration policies and procedures of the Bank.

The Financial Affairs and Audit Committee (FAAC) and Compliance Committee shall examine whether the remuneration policies and awards made pursuant to them may affect the institution's compliance with applicable regulation, internal policies and risk culture. For this purpose:

- to ensure that the Remuneration Committee benefits from the perspective of the FACC and Compliance Committees, matters related to remuneration and compliance issues that is included in the Remuneration Committee's agenda shall also be added to the FACC and Compliance Committee's agenda where deemed appropriate;
- A member of the FACC and Compliance Committees might participate in the meetings of the Remuneration Committee at the request of the Remuneration Committee;
- Members of the Remuneration Committee may also participate in the meetings of the FACC and Compliance Committee at the request of those committees when assessing the impact on the Remuneration policies and procedures of the Bank.

3.4. Internal functions

The Remuneration Policy should provide for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward.

Risk and compliance functions should provide effective input in accordance with their roles into the performance criteria and remuneration awards.

All competent corporate functions and bodies (e.g., committees, control functions, human capital, legal, strategic planning, budget function, etc.) and business units input will be taken into account on the design, implementation and oversight of the institution's remuneration policies and shall attend any meetings of the Remuneration Committee at the request of its Chairman.

In particular:

- The **human capital function** shall participate in and inform on the drawing up and the evaluation of the Remuneration Policy, including the remuneration structure, the aspect of

gender neutrality, remuneration levels and incentive schemes, in a way that would not only attract and retain the members the institution needs but also ensure that the remuneration policy is aligned with the institution's risk profile.

- The **risk management function** shall assist with and inform on the definition of suitable risk adjusted performance measures (including ex post adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of the institution. This function shall also validate and assess risk adjustment data as well as be invited to attend the meetings of the Remuneration Committee on this matter.

The risk management function is constantly involved in supporting the Human Capital function in the definition of the remuneration policy, incentive system and compensation processes for risk related components and in the identification of risk objectives, in order to ensure the correct setting of the incentive mechanisms respecting the Risk Appetite Framework, and the validation of performance and pay, so that incentives are aligned to risk taking and management.

In particular, the Risk Management function shall:

- a) Participate in the risk alignment process of the remuneration policies and procedures, including: the bonus pool setting and the definition of its risk ex-ante factors, the definition of performance KPIs; performance and risk measurement process; the award process; and the pay-out process;
- b) Approve and propose quantitative and qualitative criteria for risk adjustment of the variable remuneration, and suggest to the Remuneration Committee an annual set of risk related metrics, aligned with the Bank's strategy and with the Bank Risk Appetite Framework;
- c) Participate in assessments related to the potential application of ex-post risk measures including malus and clawback;
- d) Participate in the centralized and independent annual review promoted by the Remuneration Committee (see section 8) to assess the overall remuneration policies, practices and processes;
- e) Be present at meetings of the Remuneration Committee where the Bank's policies and procedures are discussed and/or when matters related to remuneration and risk related matters are discussed.

- The **compliance function** shall analyse how the Remuneration Policy affects the institution's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the Compliance Committee of the General and Supervisory Board. The findings of the compliance function shall be considered during the approval, review procedures and oversight of the Remuneration Policy.

In particular, the Compliance function shall:

- a) Participate in the risk alignment process of the remuneration policies and procedures, including: the bonus pool setting and the definition of its compliance risk ex-ante factors, the definition of performance KPIs; the performance and risk measurement process; the award process; and the pay-out process.

- b) Approve and propose pre-award adjustments (for ex-ante risk alignment) on compliance-related metrics (i.e. for KPI setting), and post-award adjustments (i.e. for ex-post risk alignment or clawback) for compliance-related issues;
 - c) Participate in assessments related to the potential application of ex-post risk measures including malus and clawback, contributing to the definition of suitable ex-post measures and activation principles or criteria related to compliance-specific issues, monitor conduct issues to identify misconduct events;
 - d) Participate in the centralized and independent annual review promoted by the Remuneration Committee (see section 8) to assess the overall remuneration policies, practices and processes;
 - e) Be present at meetings of the Remuneration Committee where the Bank's policies and procedures are discussed and/or when matters related to remuneration and risk related matters are discussed.
- The **Internal Audit function** shall, besides other tasks assigned to it in this policy, carry out a periodic and independent review of the design, implementation and effects of the institution's remuneration policies on its risk profile and the way these effects are managed.
 - The **legal function** shall provide all the support requested by the Remuneration Committee in the performance of its duties, in particular assist in the preparation and review of the remuneration policy.

3.5. Approval and amendments

The Remuneration Policy and any amendments thereto shall be approved at the General Shareholders' Meeting upon a proposal from the Remuneration Committee, previously acknowledged by the General and Supervisory Board. The Policy, after approval, shall also be acknowledged by the Executive Board of Directors.

The General and Supervisory Board shall ensure that the Bank provides the General Shareholders' Meeting with adequate information regarding the Remuneration Policy, its incentive structure and the extent to which risk taking is being controlled as well as the overall cost of the remuneration structure.

Detailed information on remuneration policies should be provided and include the following:

- i) the remuneration components;
- ii) remuneration packages and their alignment with the business and risk strategy, including the risk appetite;
- iii) how it is ensured that the Remuneration Policy is gender neutral;
- iv) how the points under ii) are taken into account in ex ante/ex post adjustments.

The General and Supervisory Board remains responsible for the actual implementation and oversight of any changes to the remuneration policies and practices.

4. Categories of Remuneration

Total remuneration results from the combination of the fixed and variable remuneration components. This chapter describes the structure and criteria for the allocation of the different remuneration components.

4.1. General and Supervisory Board

Only the independent members of the General and Supervisory Board are entitled to a fixed annual remuneration paid monthly (in 12 amounts), which shall be approved by the General Shareholders' Meeting. An independent member of the General and Supervisory Board that is not resident in Portugal that relocates or establishes a presence in Portugal due to the exercise of her/his functions may also be entitled to allowances (benefits in kind), which are part of the fixed remuneration. The amount of these allowances will be approved by the General Shareholders' Meeting and shall respect all the following conditions:

- i) the allowance is paid on a non-discriminatory basis to all members of the General and Supervisory Board in a similar situation;
- ii) the amount of the allowance is based on predetermined criteria and does not depend on any other factors;
- iii) the duration of the allowance is tied to the duration of the mandate;

4.2. Members of the Executive Board of Directors

The remuneration of the Executive Board of Directors Members should be consistent with their powers, duties, competences and responsibilities.

4.2.1.Fixed Remuneration

The fixed remuneration of the Executive Board Members is composed of a fixed amount paid monthly, 14 times per year, shall take into account the complexity, level of responsibility and range of competences needed for the functions carried out by them as well as their relevant competences and experience. A member that was relocated to Portugal due to the exercise of her/his functions may also be entitled to benefits in kind. This allowance shall be approved by the Remuneration Committee of General and Supervisory Board and is considered part of the fixed remuneration, provided that the conditions i), ii) and iii) of section 4.1 are met, as it relates to members of the Executive Board of Directors.

4.2.2.Variable Remuneration

The variable remuneration attributed to the Executive Board Members is freely decided and based on the combination of several KPIs set by the Bank, based on the combined Individual and Collective

Performance Assessment and on the performance of the Bank. This assessment and performance will take into account quantitative and qualitative criteria implemented through the Objectives and Competences defined by the Remuneration Committee and reported to the Executive Board Members.

The variable remuneration is dependent upon the verification of criteria set out in this Policy and the conditions and objectives decided by the Remuneration Committee, is not contractually ensured (as such the award, vesting and payment of any portion cannot be expected as certain or ensured), and may be subject to risk adjustments mechanisms set out in section 4.2.2.5.

Additionally, variable remuneration may also consist of “sign-on bonus/welcome bonus” and/or severance payments, to the extent the Bank has a sound base of own funds at a given time and also to the extent is consistent with and promote sound and effective risk management. The variable remuneration in the form of a “sign-on” or a “welcome bonus” may only be awarded and fully paid once during the first year of mandate of the Executive Board Member at the Bank, in accordance with applicable law, remuneration guidelines and policies. The amount of guaranteed variable remuneration shall not be included in the calculation of the ratio between the variable and fixed components of the total remuneration for the first performance period, where the guaranteed variable remuneration is awarded when designating a new executive board member before the first performance period starts. The requirements on malus and clawback arrangements shall also not be applied to guaranteed variable remuneration, and the full amount may be paid in non-deferred cash.

In case of a remuneration being granted as compensation or for the buyout of a previous contract where the deferred variable remuneration of the member was reduced or revoked by a previous employer because of the termination of the contract, all requirements for variable remuneration apply, including deferral, retention, pay out in instruments and clawback arrangements.

4.2.2.1. Criteria/rules for attribution of Variable Remuneration

The following rules shall apply to the variable remuneration:

- a) The variable remuneration is freely awarded and as far as the following cumulative conditions are verified: (i) the Bank has positive operating results in the year to which the variable remuneration relates to; (ii) the award is consistent with sound and effective risk management practices; and (iii) the attribution of variable remuneration does not limit the Bank’s capacity to strengthen and maintain a sound base of own funds;
- b) Deferred portions of variable remuneration may only be paid if this does not limit the Bank’s ability to strengthen and maintain a sound capital base;
- c) The Variable Remuneration is not contractually or otherwise guaranteed, so no Executive Board Member shall expect its award or vesting or assume the payment of any portion;
- d) The total amount of variable remuneration shall be decided at the end of each year by the Remuneration Committee, considering all current risks and expected losses;
- e) The total variable remuneration awarded to any member of the Executive Board of Directors will be limited to 100% of the respective annual fixed remuneration, unless otherwise pre-approved by the General Shareholders’ Meeting;

- f) The total variable remuneration awarded to any member of the Executive Board of Directors shall be deferred for a period of five years, to be paid on a prorata basis, in the terms of clause 4.2.2.3.

4.2.2.2. Performance Appraisal and Key Performance Indicators

As a Significant Financial Institution, novobanco is obliged to comply with a number of specific requirements that must be considered in the award, vesting and payment of variable remuneration to members of the Executive Members of the Board. These members must be evaluated and compensated in such a way as to avoid any conflict with their obligation to act in the interests of clients.

The Bank shall annually set a bonus pool. When determining the bonus pools or individual awards, all current risks, expected losses, estimated unexpected losses and stressed conditions associated with the Bank's activities will be considered. Ex-ante adjustments shall be applicable in the context of the bonus pool review and of the individual award process. Bonuses shall be awarded after the end of the related financial year.

The variable remuneration of the members of the Executive Board of Directors should be aligned to all risks and the performance of the institution and the area of the Board member. The relative importance of each level of the performance criteria should be determined beforehand in the remuneration policies and its internal regulation and adequately balanced to take into account the objectives at each level, the position or responsibilities held, and current and future risks.

Current and future risks will be taken into account, whether on or off-balance sheet, differentiating between risks relevant to the institution, business units and individuals. Measures for the risk alignment of remuneration where an exact quantification of the risk exposure is difficult will also be used, such as reputational and operational risk. In such cases, the risk assessment shall be based on suitable proxies, including risk indicators, capital requirements or scenario analysis.

At the beginning and at the end of each year, the Remuneration Committee will set and review the budget for the total variable remuneration related to such year. This setting and review will be based on that year's operating results of the Bank and considering all current risks and expected losses and after consulting with the risk management and compliance functions.

The members of the Executive Board of Directors shall not transfer the downside risks of variable remuneration to another party through hedging or certain types of insurances. This requirement is applicable to deferred and retained variable remuneration.

The performance appraisal of the members of the Executive Board of Directors shall be made until the end of March of each year following the year end and considering the performance and objectives defined for that previous year.

The attribution of annual variable remuneration shall be based on the achievement of financial and non-financial, individual and corporate Key Performance Indicators ("KPIs"), agreed with each member of the Executive Board of Directors. The KPIs will be defined during the first quarter of the reference year, based on a combination of the overall Bank's financial performance, on the member's individual areas of responsibilities (including the development of employees with direct reporting duties) and the objectives of the areas they manage. These KPIs are defined on a multi-year basis and approved by

the Remuneration Committee, and include ESG risk related objectives, in order to align business performance with sustainable practices that directly impact variable remuneration. It is the responsibility of the Remuneration Committee to set the abovementioned KPIs, their individual weighting, assess the scale of achievement and propose the total annual variable remuneration to be awarded to the members of the Executive Board of Directors.

4.2.2.3. Form of Payment

The variable remuneration assigned to the Executive Board of Directors' members shall be paid subject to the applicable rules which require that a certain proportion of the variable remuneration is paid in instruments, as well to those that impose a deferral and retention periods.

a) Deferral and thresholds

50% of the variable remuneration (including both the cash and the remuneration units' components) awarded for each year will be subject to a deferral period of five years from the reference year (i.e., the year to which the variable remuneration relates to). Accordingly, 50% of the variable remuneration awarded for each year will vest in the year of the award (i.e. 25% attributed in cash and 25% attributed in remuneration units') and the remaining 50% of the variable remuneration (i.e. 25% attributed in cash and 25% attributed in remuneration units') will vest on a pro-rata basis over a five year period (i.e. 50% of the award amount vests in year N and the remaining 50% will proportionately vest in N+1, N+2, N+3, N+4 and N+5, N being the year of award).

In situations where the variable component of the remuneration exceeds one million euros, 40% of variable remuneration awarded will vest in the year of award, being the remaining 60% deferred on a prorata basis, in the same terms as referred above.

b) Cash / Instruments

Each of the five payments of the variable remuneration, when due, will be made as follows:

- 50% is paid in cash;
- 50% in Remuneration Units, whose terms and conditions regarding the attribution, vesting and payment are defined in the Regulation of Remuneration Units. Remuneration Units have an effect equivalent to the award of shares, as permitted by law.

c) Retention

The instruments to which the deferral rule above applies will be subject to a Retention Period of 12 months from the vesting date of the award.

4.2.2.4. Retention Plans

Retention plans are variable remuneration retention bonus consisting of in cash and remuneration units' payments which are aimed at eligible Executive Board Members and whose benefits will be awarded if the permanence requirements are met, as defined in the relevant regulation. If this retention plans may lead to an Executive Board Members receiving a variable remuneration exceeding 100% of his/her annual fixed remuneration, the approval of such higher maximum level of the ratio

between the variable and the fixed component of remuneration, up to a limit of 200%, is subject to a Shareholder's Meeting resolution under the terms set out in RGICSF and the EBA Guidelines.

Payments of the variable remuneration under retention plans shall consist of cash (50%) and Remuneration Units (50%) and will be subject to the deferral rules set in section 4.2.2.3. and to the risk adjustment mechanisms described in section 4.2.2.5. of this Remuneration Policy.

4.2.2.5. Risk Adjustment Mechanisms

The Bank may apply ex-post risk-based adjustment mechanisms to the total variable remuneration through the following mechanisms:

Reduction (Malus): allows the Bank to reduce all or part of the Variable Remuneration subject to deferral and whose payment is not yet considered an acquired right;

Reversal (Clawback): allows the Bank to recover amounts already paid or whose payment is already an acquired right, with the member being obliged to return such amounts.

4.2.2.6. Rules for Malus and Clawback application

The abovementioned mechanisms are applicable to the total variable remuneration (including compensations for the buyout of a previous contract), during the deferral periods and following an extremely significant event that could be attributable collectively to the Executive Board Members or to an Individual Executive Board Member.

Before any award is decided, the human capital function shall consult with the internal control functions, as well as with legal function, in order to determine whether there are any signs of the situations which, as per the criteria below, may trigger a *malus* or *clawback* application. In case such consultation determines the existence of such signs, the situation shall be reported by the human capital function to the Remuneration Committee.

The Remuneration Committee, with the assistance of the risk and compliance functions, shall determine the severity of the event and whether the malus or clawback mechanisms are applicable to all variable remuneration awarded to one or more of the members of the Executive Board of Directors or a portion of such remuneration, as applicable. Depending on the severity of the event, considering the Consequence Management Framework and other relevant external or internal regulations, the Remuneration Committee shall decide whether the *malus* or *clawback* mechanism is applicable.

Malus or *clawback* arrangements are explicit ex post risk adjustment mechanisms where the Bank adjusts remuneration of the Executive Board of Directors (e.g. by lowering awarded cash remuneration or by reducing the number or value of instruments awarded).

The Bank shall apply malus or clawback arrangements to up to 100% of the total variable remuneration regardless of the method used for the payment, including deferral or retention arrangements.

Malus or clawback will be applied to Executive Board of Directors as long as there are deferral and retention periods in course. Clawback should in particular be applied in the case of fraud or other conduct with intent or severe negligence which led to significant losses. Clawback adjustments may be applied to total variable remuneration of specific years of which the final instalment was paid within the past two years.

The specific following criteria, among others, shall be used to assess the application of malus and/or clawback:

- a. evidence of misconduct or serious error by the Executive Board of Directors (e.g. breach of code of conduct and other internal rules, especially concerning risks);
- b. whether the Bank and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators) due to the actions of the Executive Board Member;
- c. whether the Bank and/or the business unit for which the Executive Board of Directors is responsible suffers a significant failure of risk management due to the actions of the Executive Board Member;
- d. significant decreases in the Bank's or business unit's economic or regulatory capital base due to the actions of the Executive Board Member;
- e. significant regulatory sanctions, e.g. punitive, administrative, disciplinary or otherwise, where the conduct of the Executive Board of Directors contributed to the sanction;

The process to determine the amount of the reduction or cancellation related to breaches shall be the following:

- a. identification: based on the roles and responsibilities of the functions involved according to their ordinary activities; this identification is based on internal and external sources (special investigation, disciplinary sanctions, regulatory sanctions);
- b. evaluation: based on the assessment of the breach materiality. The drivers of materiality assessment are:
 - i. gravity of the individual conduct, including the circumstances;
 - ii. nature (fraud or gross negligence) of the trigger event;
 - iii. repetitiveness of the breach;
 - iv. impact on financials;
 - v. seniority of the individual;
 - vi. organizational role;
 - vii. impact on the Group external reputation (e.g. Cyber Risk, Climate Related issues, etc.);
 - viii. other circumstances aggravating or mitigating the reported breach. •
- c. In coherence with the score assigned and the reference period of the breach, the impact on the variable remuneration is defined according to two elements:
 - i. perimeter of the variable remuneration (upfront or deferred) that can be reduced/cancelled based on the applicable internal regulation (e.g. the Remuneration Units Regulation) predefined scenarios, according to the breach materiality. In case of significant breaches, fulfilling certain pre-conditions, the claw-back (return) of already paid variable remuneration may be activated;
 - ii. percentage of the variable remuneration that can be reduced/cancelled and/or returned back.

The decisions taken on this matter by the Remuneration Committee shall be subject to approval by the General and Supervisory Board.

4.2.2.7. Rules in case of leave situations

4.2.2.7.1. Rules for termination by initiative of the Bank

If the mandate of a member of the Executive Board of Directors is terminated by the Bank without just cause, pursuant to Portuguese law, the member of the Executive Board of Directors shall be entitled to receive the deferred amounts of the variable remuneration awarded up to that date (or respective portions thereof), on the dates on which such portions are vested in accordance with the rules defined above, subject to the applicable malus or clawback adjustments.

If the mandate of the member of the Executive Board of Directors is terminated by the Bank with cause (“justa causa”, under Portuguese law), the respective member of the Executive Board of Directors shall have no right to any deferred portions of Variable Remuneration, awarded until that date, and without prejudice to the application of any malus or clawback adjustment.

4.2.2.7.2. Rules for termination by initiative of the member of the Executive Board of Directors

If a member of the Executive Board of Directors voluntarily resigns before the end of the fixed term mandate for which he/she was appointed, the Remuneration Committee shall determine whether such Member continues to have the right to any deferred portions of variable remuneration that is not yet vested, subject to the applicable malus or claw back adjustments and on the date specified for the payment of each deferred portions. The Remuneration Committee shall also consider adherence to a non-compete undertaking and notice period in making its decision.

4.2.2.7.3. Rules in case of death or incapacity of the member of the Executive Board of Directors

In case of death of an Executive Board Member, the right to any deferred portions of the variable remuneration, as well as the right to vested portions which have not yet been paid out, do not expire and are transferred to the Executive Member’s successors. The right to deferred portions of variable remuneration transferred to the Executive Board Member’s successors will be subject to the applicable malus or clawback adjustments and will vest and be paid out on the dates on which such portions are to be vested and paid in accordance with the current Policy.

As an exception to section 4.2.2.6.2., in case an Executive Board Member becomes unable to fulfil his role as a Member, the non-expiry rule foreseen above will be applicable.

4.2.3. Other Benefits

Other benefits such as health insurance, cell phones, and others, are applicable to the Executive Board Members in line with what is attributed to the Bank’s employees, in accordance with internal regulations.

If any member of the Executive Board of Directors is an employee of the Bank, he/she would be able to maintain, during the term of office, the benefits that result from the employment contract and the Collective Bargaining Agreement (CBA) regulation that were applicable prior to being appointed to the Executive Board of Directors, if the applicable laws and regulations do not prevent it.

These benefits can be related to:

- a) Health benefits: Bank employees are eligible for the SAMS health system;
- b) Credit conditions: special mortgage rates set out in the CBA and a personal loans programme for employees;
- c) Pension Plan: defined benefit pension plan set out in the CBA and a defined contribution plan for middle management.

4.3. Severance

Any severance payments to members of the Executive Board of Directors will be determined by the Remuneration Committee.

Severance payments must reflect performance achieved over time and must not reward failure or misconduct and should not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract or dismissal with cause – “justa causa” under Portuguese Law.

The Bank shall in any case be able to demonstrate to the competent authority the reasons for the severance payment, the appropriateness of the amount awarded and the criteria used to determine the amount, including that it is linked to the performance achieved over time and that it does not reward failure or misconduct.

Severance payments shall be considered as variable remuneration. However, severance payments should in the following circumstances not be taken into account for the purpose of the calculation of ratios and for the application of deferral and the pay out in instruments:

- b) severance payments mandatory under national labour law or mandatory following a decision of a court;
- c) severance payments under (i) and (ii) below where the institution is able to demonstrate the reasons and the appropriateness of the amount of the severance payment:
 - (i) severance payments calculated through an appropriate predefined generic formula approved according to the applicable regulation;
 - (ii) severance payments corresponding to the additional amount due in application of a non-competition clause in the contract and paid out in future periods, up to the amount of the fixed remuneration which would have been paid, for the non-competition period;
- d) severance payments where the Bank has demonstrated to the competent authority the reasons and the appropriateness of the amount of the severance payment.

4.4. Statutory Auditor (“ROC”)

The remuneration of the Statutory Auditor shall be a fixed fee corresponding to the remuneration approved by the General Supervisory Board under the audit services engagement.

5. Conflicts of interest

Conflicts of interest relating to the Remuneration Policy and the variable remuneration awarded must be identified, assessed, and mitigated in particular by the existence of objective allocation criteria, based on the internal information system, appropriate controls and the “four-eyes” principle.

The Remuneration Policy shall ensure the objective of prevention of occurrence of any conflicts of interest arise for members of the Management and Supervisory Bodies in the performance of their duties.

The Remuneration Committee is responsible for monitoring adherence to novobanco’s Remuneration Policy with the objective to prevent the occurrence of conflicts of interest established in the applicable laws, regulations and guidelines and will notify the Chairperson of the General and Supervisory Board if conflict of interests arises for members of the Management and Supervisory Bodies in the performance of their duties relating to this Remuneration Policy. If conflict of interests arises in connection with the Chairman of the General and Supervisory Board, the above referred notice shall be sent to the Chairperson of the Compliance Committee of the General and Supervisory Board, who shall then inform the General and Supervisory Board accordingly.

The Remuneration Committee and the General and Supervisory Board may consult the Compliance Department and/or request it to provide appropriate information relevant for the assessment of the situation.

No member of the General and Supervisory Board may participate in the discussion or the decision of situations where there are any conflicts of interests affecting or involving said member.

Decisions taken by the General and Supervisory Board regarding any conflicts of interest arising with respect to members of the General and Supervisory Board relating to this Remuneration Policy shall be subject to ratification by the shareholders at a Shareholder’s Meeting.

The General and Supervisory Board shall inform the Shareholders of any decisions taken regarding conflicts of interest arising with respect to members of the Executive Board of Directors relating to this Remuneration Policy.

If the Compliance Department becomes aware of any conflict or a potential conflict of interests’ situation related to this Policy, it shall inform the Compliance Committee of the General and Supervisory Board.

The Remuneration Committee and the General and Supervisory Board shall inform the Compliance Department of situations of conflict, or a potential conflict of interests submitted for their analysis. The Compliance Department shall include them in the registry of situations of conflicts of interest.

6. Gender Neutrality Policy

Gender neutral remuneration policies means remuneration policies that are consistent with the principle of equal pay for male, female and diverse workers for equal work or work of equal value.

A gender-neutral Remuneration Policy should ensure that all aspects are gender neutral, including the variable remuneration and its payment conditions.

The gender-neutral fixed remuneration should reflect the professional experience and organisational responsibility, taking into account the level of education, the degree of seniority, the level of expertise and skills, the constraints (e.g., social, economic, cultural or other relevant factors) and the remuneration level of the geographical location.

The gender neutrality of the Bank's Remuneration Policy involves also non gender discrimination in terms of access to career opportunities and prospects, allowing the Bank to adopt reasonable and balanced measures to pursue that this goal.

7. Disclosure of information

Upon approval, this Remuneration Policy shall be disclosed internally and novobanco should also appropriately disclose the information externally (on its website within a maximum period of 30 days), as well as make the approach, principles and objectives of remuneration incentives transparent internally. In addition, novobanco has the duty to disclose information on the practices and Remuneration Policy applicable to the members of the Management and Supervisory Bodies. In particular, the appraisal process with regard to the individual's performance should be transparent and properly documented.

8. Record keeping and Policy update

Novobanco shall file this Policy and keep the records arising from it for at least five years. These records shall be used for auditing or legal purposes.

This Policy is supplemented by the Remuneration Unit's Regulation, the Consequence Management Framework and a set of internal procedures that will be detailed in a specific document. This document must identify, date, and justify any updates and shall be duly filed for a period of at least five years.

The Bank, through the Remuneration Committee and with the support of the Human Capital, Risk Management, Compliance and Internal Audit function, shall perform an annual centralized and independent annual review to assess the overall remuneration policies, practices and processes. Such review shall also include an analysis of whether the Remuneration Policy is gender neutral, including monitoring the development of the gender pay gap. Where material differences between the average pay of male and female member or male and female exist, novobanco should document the main reasons and take appropriate action where relevant or should be able to demonstrate that the difference does not result from a Remuneration Policy that is not gender neutral.

As part of the central and independent internal review, the Bank will assess whether the overall remuneration policies, practices and processes:

- a) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of the institution are adequately reflected);
- b) are compliant with national and international regulations, principles and standards; and

- c) are consistently implemented across the group, and do not limit the Bank's ability to maintain or restore a sound capital base.

The result of such centralized review shall consist of a report on the annual review and assessment of this Policy that shall be prepared once a year by the Remuneration Committee and submitted to the Shareholders' Meeting, the Executive Board of Directors and the General and Supervisory Board.

Where periodic reviews reveal that the remuneration policies do not operate as intended or prescribed or where recommendations are made, the Remuneration Committee shall ensure that a remedial action plan is proposed, approved and timely implemented. The results of the internal review performed and actions taken to remedy any findings shall be documented, either through written reports or through the minutes of the meeting of the relevant committees of the General and Supervisory Board, and made available to the relevant committees and corporate functions. The Executive Board of Directors is responsible, within the scope of its functions, for implementing the actions set out in the report.

Additionally, a centralized review of compliance with the regulation, group policies, procedures and internal rules should be performed annually by the internal audit function.

The Internal Audit function shall cover on an annual basis the remuneration processes, policies and practices, ensuring a comprehensive coverage under a multi-year approach of all key aspects of the overall remuneration process such as, among others, bonus pool setting, risk alignment process (ex-ante and ex-post adjustments), pay-out process and practices (in particular the application of deferrals), consequence management.

9. Final Provisions

This Policy was approved at the General Meeting upon proposal of the Remuneration Committee on 15th December 2025 and will enter into force on that date. The amendments introduced in this Policy are applicable to all fixed or variable remunerations, in cash or in remuneration units, that may be awarded, vested or paid after the referred date on which it enters into force.