



**Conflict of Interest Prevention and
Management Policy for Financial
Intermediation Activities**

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1. Introduction

This Conflict of Interest Prevention and Management Policy for Financial Intermediation and insurance distribution activities (“Policy”), notwithstanding applicable legal and regulatory norms, serves as a benchmark for the Bank in identifying, mitigating, managing and recording conflicts of interest in relation to all relevant financial intermediation activities.

In its financial intermediation and insurance mediation activities, the Bank may encounter conflicts of interest between the Bank and its Customers, or between its different Customers. In addition, the autonomous interests of Employees, managers, tied agents or subcontractors may conflict with those of Customers.

Such situations may jeopardize the Bank's impartiality and independence; as such, it is the Bank's priority to define a conflict of interest policy and procedures for the purposes of identification, prevention, mitigation and guidance, in accordance with applicable laws and regulations.

NOVO BANCO's actions will be governed by the following principles:

- (i) In circumstances of conflicts of interest, NOVO BANCO's actions will ensure fair and transparent treatment of its Customers.
- (ii) NOVO BANCO will prioritise the interests of the Customer, both in terms of its own interests and those of companies controlled by or in a group relationship with it, and in terms of the interests of its corporate board members and Employees.
- (iii) Whenever NOVO BANCO performs transactions to fill Customer orders, it will offer financial instruments to them at the same purchase price.
- (iv) All NOVO BANCO Employees working in areas with potential conflicts of interest must act with the appropriate degree of independence.
- (v) All entities subcontracted by NOVO BANCO for financial intermediation tasks are bound by the rules of this Policy and the obligation to keep records established herein.

2. Legal Framework

In accordance with the regulatory framework applicable to the Bank, particularly the Securities Code (CVM)¹, applicable European regulations (namely Commission Delegated Regulation (EU) 2017/565 of 25 April 2016) and Portuguese Securities and Exchange Commission (CMVM) regulations and Law 7/2019 of 16 January, the Bank must organize itself so as to identify potential conflicts of interest and act so as to avoid or minimize the risk of their occurrence.

For this purpose, the Bank must have a written conflict of interest policy which:

- (i) Identify, in relation to each financial intermediation and insurance mediation activity carried out by or on behalf of the financial intermediary, the circumstances which may give rise to a relevant conflict of interest;
- (ii) Specify the procedures and measures to be taken to manage these conflicts.
- (iii) Adopt an employee remuneration policy encouraging responsible business conduct, fair Customer treatment and the prevention of conflicts of interest in Customer relations.

In identifying potential conflicts of interests and defining the appropriate procedures and measures to mitigate and manage them, the Bank must bear the following in mind:

- (i) The size, organization, nature and complexity of the Relevant Financial Intermediation Activities in question and insurance distribution activities, ensuring that this assessment includes all areas/units of the Bank's organizational structure (including branches) and third parties acting on behalf and/or in the name of the Bank (including, among others, tied agents and subcontractors) and intervening in the tasks related to these activities;
- (ii) Any circumstances that may give rise to conflicts of interest from the structure and business activities of other companies belonging to the Bank Group;
- (iii) The degree of risk of the conflict of interest's occurrence, and;

¹ CVM Title VI, Chapter I, Section III, Subsection VI (articles 309, 309 A, 309 B, 309 C, 309 D, 309 E and 309 F).

- (iv) The type and extent of potential damage(s).

Notwithstanding the responsibility of supervisory boards, the Bank's Board of Directors is responsible for ensuring that the Bank's policies, procedures and controls properly meet its obligations of identifying, preventing and managing conflicts of interest, and actually comply with these obligations. This Policy has been approved by the Board of Directors; the Compliance Department is responsible for its internal and external distribution, and for the monitoring needed for its actual fulfilment throughout the Novo Banco Group, namely through strict oversight of the recording of transactions that may generate conflicts of interest. The Board of Directors will also regularly assess, monitor and revise this Policy based on the Compliance Department's analysis and justified proposals.

If conflicts of interest occur despite the measures taken, the Bank shall:

- (i) Afford its Customers with fair and transparent treatment;
- (ii) Prioritise the interests of the Customer, both in terms of its own interests and those of companies controlled by or in a group relationship with it, and in terms of the interests of its corporate board members, tied agents and Employees of both.
- (iii) Not perform the transaction in question, whenever Novo Banco's internal organization cannot overcome the existing conflict with the necessary certainty and assurance, i.e., by replacing the party in question in the transaction.

3. Scope of application

This Policy shall be enforced, with the necessary adaptations, by NOVO BANCO, with all other entities directly or indirectly controlled by it who carry out financial intermediation and insurance distribution activities who are registered with the competent supervisory body for this purpose, and with entities that may be subcontracted to perform these duties.

To this end, the activities of all areas/units of the Bank's organizational structure (including branches) must be taken into account, and those of third parties acting in the name and/or on behalf of the Bank (including, among others, tied agents and subcontractors) and intervening in the tasks related to these Relevant Financial Intermediation Activities and insurance distribution.

Conflict of interest rules shall apply to relationships with both non-professional and professional Customers.

4. Definitions

Areas Tied to Financial Intermediation Activities

These include all of the Departments and Units in Annex I to the Internal Financial Intermediation Regulations involved in:

- Carrying out financial intermediation activities;
- Overseeing or supporting financial intermediation activities;
- Commercial activities (Commercial Areas);

The front-line Head of each structural body shall be responsible for defining, in that structural body, the Areas Tied to Financial Intermediation Activities under his/her responsibility.

Relevant Financial Intermediation Activities

All of the financial intermediation activities defined in article 289 of the Securities Code which, at any given time, are performed by NOVO BANCO, as registered with the CMVM for this purpose.

Relevant Conflicts of Interest within the scope of financial intermediation activities

Any conflict of interest may occur, while carrying out any Relevant Financial Intermediation Activities and/or insurance distribution activity, with a relevant risk of causing damages to the legitimate interests of Customers, by potential opposition between the interests (i) of the Bank with those of the Customer, (ii) of the entity acting in the name and/or on behalf of the Bank (including, among others, tied agents and subcontractors) with those of the Customer, (iii) of a Relevant Person with those of the Customer, (iv) of two or more Customers of the Bank in the Bank's provision of intermediation services to these Customers, or (v) between the interests of other institutions belonging to the Bank Group and its Customers, presuming that a conflict of interest may occur whenever the Bank:

- May obtain a financial gain or avoid a financial loss, to the Customer's detriment, except when acting as a counterparty in transactions with Customers while carrying out its normal business activities;
- Has its own interest in the results of a service provided to the Customer, or of a transaction performed on behalf of the Customer, which is separate from the actual service or transaction in question;
- Receives a financial or other incentive to prioritise the interests of one Customer to the detriment of the interests of another Customer;
- Receives financial or other incentives from the customer beyond the agreed fees and charges;

- Carries out the same activities as the Customer.

Personal Transactions Personal Transactions are transactions performed on a financial instrument by order of a Relevant Person, or on that person's behalf, outside of the person's duties as an employee, provided that:

- The transaction is performed on behalf of a Relevant Person;
- The transaction is performed on behalf of Closely Related Persons of a Relevant Person;
- The transaction is performed on behalf of companies in which the Relevant Person holds, directly or indirectly, at least 20% of voting rights or share capital;
- The transaction is performed on behalf of companies belonging to the same group as a company controlled by the Relevant Person;
- The transaction is performed on behalf of a person whose relationship with the Relevant Person is such that there exists a direct or indirect material interest in the result of the transaction.

**Closely Related
Persons**

Closely Related Persons to an Employee include:

- The spouse or person with whom the Employee lives in a non-marital partnership, descendants in the Employee's care and other family members living with the Employee for more than one year;

- Any entity directly or indirectly controlled by the Employee, established on the Employee's behalf or which the Employee also manages.

Relevant Persons

Relevant Persons include:

Managers, as defined in the Internal Financial Intermediation Regulations or insurance distribution, i.e. members of corporate boards, general managers, advisors of the Board of Directors and the Secretary of the company, of Novo Banco, and those who perform comparable functions due to their positions at Novo Banco Group branches or subsidiaries;

Employees of Novo Banco, its Tied Agents or Novo Banco subcontractors who perform functions in Areas Tied to Financial Intermediation Activities, who have access to inside information and who have been identified as such by their hierarchy.

5. Objective of Conflict of Interest Prevention and Management Policy

The purpose of the Conflict of Interest Prevention and Management Policy is to establish the rules and procedures to be followed at the Bank, bearing the following key objectives in mind:

- (i) To help identify areas and situations (within the scope of financial intermediation and insurance distribution activities) with a higher likelihood of conflicts of interest that may damage the interests of Customers;

- (ii) To define and adopt measures to prevent conflicts of interests found, and properly manage and record them when, despite best efforts towards their prevention, they actually occur;
- (iii) To properly document, for purposes of control and, when applicable, clarification to regulatory authorities, the implementation of measures taken to achieve the goals laid out.

In addition to this Policy, additional requirements applicable to the Bank, due to its business activities in other jurisdictions, must also be complied with.

The adequacy, effectiveness and fulfilment of the measures established in this Policy, or within the scope of its application, must be regularly monitored and assessed, with the appropriate measures taken to:

- (i) Remedy any shortcomings found, or;
- (ii) Adjust the Policy and its measures according to any changes to the underlying assumptions on which they are based.

6. Guiding Principles

6.1. Identification

For the purpose of identifying relevant conflicts of interest, the Bank shall assess specific circumstances in which financial intermediation and insurance distribution activities are carried out, paying special attention to situations in which the Bank, a person or entity controlled by or in a group relationship with the Bank, a third party intervening in the name and/or on behalf of the Bank in the tasks of a Relevant Financial Intermediation Activity, namely its employees acting in a personal capacity, or a Relevant Person:

- (i) May obtain a financial gain or avoid a financial loss to the detriment of a Customer;

- (ii) May have interest in the results of a service provided to the Customer or a transaction performed on behalf of the Customer in conflict with the Customer's interest in these results;
- (iii) Receives a financial or other benefit to prioritise the interests of another Customer over the interests of the Customer in question;
- (iv) Carries out the same activities as the Customer;
- (v) Receives or may receive, from a person other than the Customer, a benefit related to the service provided to the Customer in the form of money, goods or services beyond this service's normal fees and charges.

6.2. Overall Principles

Notwithstanding the principles applicable to each specific financial intermediation activity, the Bank shall adopt, in a comprehensive manner, measures aimed at ensuring the independence of Relevant Persons, as applicable at Novo Banco, which shall entail:

- (i) Creating and disseminating effective procedures, as described in the Code of Conduct and Internal Regulations, to impede or control the exchange of information between Relevant Persons, by the following means:
 - (a) Criteria for identifying separate areas between which certain information may not circulate or be exchanged;
 - (b) Updated records of persons with access to information whose use or circulation is subject to restrictions;
 - (c) Electronic and/or physical blocking of information circulation;
 - (d) Information obligations of Relevant Persons to the Bank on Personal Transactions on financial instruments, and/or circumstances of prohibition (general or partial) of performing Personal Transactions.
- (ii) Oversight of Relevant Persons whose main duties involve carrying out activities on behalf of Customers, or the provision of services to them, when their interests may conflict, including with the interests of the Bank, specifically through:

- (a) Being subject to separate hierarchies;
 - (b) Separation of duties within a single intermediation activity between those of execution, recording and verification.
- (iii) Elimination of any direct relationship between the remuneration of Relevant Persons involved in a Relevant Financial Intermediation Activity and the remuneration or revenues generated by other Relevant Persons involved in another Relevant Financial Intermediation Activity, insofar as conflicts of interest may arise between these activities (namely by revising incentive, monetary or other systems).
- (iv) Measures aimed at impeding or limiting any person from exercising inappropriate influence on how a Relevant Person carries out financial intermediation and insurance distribution activities, namely by revising the means of defining Relevant Persons' goals and incentives to ensure that they are compatible with the obligation to tailor services to the Customer's interests.
- (v) Measures aimed at impeding or controlling the simultaneous or sequential involvement of a Relevant Person in different Relevant Financial Intermediation Activities or insurance distribution, when such involvement may obstruct the proper management of conflicts of interest, namely by defining rules, per each Area of Relevant Financial Intermediation and insurance distribution, on limitations to cumulative functions, which must be fulfilled prior to assuming positions in the respective Area, and while working in these positions.

The creation of a new Area of Relevant Financial Intermediation, or changes to existing ones through the use of third parties, shall comply with this Policy.

Each Relevant Financial Intermediation Area or insurance distribution activity must pay close attention to the potential impacts, on that area, of other Relevant Financial Intermediation Activities and insurance distribution carried out by the Bank or entities controlled by or in a group relationship with the Bank.

6.3. Specific Principles

The Heads of Areas Tied to Financial Intermediation Activities and/or distribution of insurance-based investment products must ensure the existence of internal organization and control measures to achieve the following:

- (i) Identify potential relevant conflicts of interest and prevent their occurrence;
- (ii) If an actual conflict occurs, ensure that the situation is handled per applicable legal and regulatory criteria (namely those referred to in [2.] above), namely through fair and transparent treatment of the Customer and prioritising Customer interests over those of the Bank and other entities subject to this Policy.
- (iii) Create a list of people with access to insider information, whenever services involving access to such information are provided;
- (iv) Record transactions and activities giving rise to conflicts of interest;

The above measures must guarantee an appropriate degree of independence of Relevant Persons so that, even when an activity may entail a risk of conflicts of interest, this risk may be eliminated or minimised. These measures are established to match the specific reality of each activity and each Area Tied to Financial Intermediation Activities and/or distribution of insurance-based investment products, with desirable criteria being principles such as physical separation, division of duties, the prohibited sharing of knowledge of conflicting interests, or applicable predefined criteria which exclude the weighing up of illegitimate interests. Each Relevant Financial Intermediation Activity (at the highest hierarchical level) must ensure:

- (i) Identification and constant updating of areas/units intervening in the Relevant Financial Intermediation Activity in question, along with the tasks performed.

To this end, situations in which third parties (for instance, tied agents or subcontractors) are used should also be considered, with these situations and entities expressly identified;

(ii) Identification and constant updating of relevant conflicts of interest that may occur within the scope of the Relevant Financial Intermediation Activity. The circumstances referred to in point (i) above should be borne in mind for this purpose;

(iii) Definition – in accordance with the terms of this Policy – of the conflict prevention and mitigation/management measures to be adopted per point (ii) above, and their incorporation into internal procedures, internal rules, the internal control system and, when applicable, contracts with third parties acting in the name and/or on behalf of the Bank.

(iv) Regular assessment and monitoring of the suitability and effectiveness of the measures adopted under the above point (prevention, mitigation, management), and the use of appropriate measures to:

(a) Correct any shortcomings found;

(b) Adjust, review or change the measures adopted under the previous point according to any changes to the underlying assumptions on which they are based.

(v) Keep the Compliance Department constantly informed on the issues and information referred to in points (i) through (iv) above;

6.4. Specific measures

Novo Banco takes the following measures to avoid conflicts of interest:

- (i) Novo Banco does not grant credit for the acquisition of, or investment in, financial instruments or products in which the Bank or related parties are issuers.
- (ii) Novo Banco does not remunerate or evaluate the performance of its Employees so as to conflict with their duty to act in the interest of Customers, and does not offer variable remuneration tied to sales goals or any other form of promotion from the recommendation or sale of a specific financial

instrument when another product can better address the Customer's needs, as further detailed in the Employee Remuneration Policy.

- (iii) Novo Banco's Employees must inform customers in detail of any fact potentially generating a conflict of interest in a transaction to be performed on their behalf, if internal organizational mechanisms are insufficient to avoid it. This information must be provided in a durable medium, with the express prior consent of the customer (also recorded via a durable medium).
- (iv) Novo Banco offers information sheets with the detailed costs of each transaction to be performed, so that customers can clearly see the breakdown of the service's costs, the financial instrument's value, charges and all other amounts not resulting directly from market risk. If a cost breakdown is not available prior to the transaction, its calculation method may be given as an alternative.
- (v) Novo Banco Employees are prohibited from performing personal transactions (or any advice towards doing so) if they involve the improper or unlawful use of confidential information, or if the transaction is incompatible with any legal or regulatory obligation of Novo Banco.
- (vi) The completion of any personal transactions of which the Bank becomes aware is recorded in a separate place, specifically indicated as such, in the archives of recorded transactions, subject to increased supervision by the Compliance Department;
- (vii) Any unlawful transactions in this regard must be immediately notified by any employee to their hierarchical superior of the Area Tied to Financial Intermediation Activities or distribution of insurance-based investment products, or verified within the scope of records on daily transactions, and immediately reported to the Compliance Department for the purposes of internal control, together with the necessary operational and legal measures which may subsequently apply.

6.5. Heightened Diligence

The senior management of each Area Tied to Financial Intermediation Activities or distribution of insurance-based investment products should likewise take particular care in ensuring the following:

- (i) Identify cases in which, having identified a potential relevant conflict of interest in which the planned prevention, mitigation, management and remedial measures cannot guarantee, with reasonable and justified certainty, that actual conflicts of interest will be avoided, together with an assessment of the associated risk;
- (ii) Notification to the Compliance Department of the situations referred to in the above point (including their respective risk assessment), in detail, including:
 - (a) Proposed notification to the Customer on the potential conflict, and/or;
 - (b) Proposal on the Bank's intention to not provide the service, in view of the inherent risks;
- (iii) Immediate notification to the Compliance Department of the occurrence of relevant conflicts of interest and proposed resolution;
- (iv) Updated list of all conflicts of interest occurring within the scope of the Relevant Financial Intermediation Activity and the treatment given to each one;
- (v) Provision, to Relevant Persons working in the Area of Relevant Financial Intermediation, of information on their obligations in matters involving conflicts of interest, namely as regards measures and procedures to be followed in carrying out their functions, together with limitations in carrying out other functions, or the performance of personal transactions and associated information obligations;
- (vi) Submission, to the Compliance Department, of information on the fulfilment of obligations in this Policy and the measures referred to in the above points;
- (vii) Provision, to the Compliance Department, of information or clarifications requested by this department related to information provided by the Area of

Relevant Financial Intermediation, or related to its activities, under the terms and for the purposes of this Policy;

(xiii) Designation of a spokesperson for the Compliance Department.

Coordination should exist with other Areas Tied to Financial Intermediation Activities or distribution of insurance-based investment products when the definition and/or adoption of measures so requires.

6.6. Communication

Communication per each Relevant Financial Intermediation Activity, under the terms and for the purposes of this Policy, shall be done to the Compliance Department by the designated spokesperson of the Relevant Financial Intermediation Activity in question.

7. Compliance Department Procedures

The Compliance Department shall do the following with regard to the communications it receives:

- (i) Consult, internally or externally, the areas or entities deemed pertinent to obtain information relevant for assessing the situations in question;
- (ii) Submit, together with the Department of Legal Affairs, a corresponding proposed resolution to the Bank's managing board.

8. Best Practices

The Bank has written procedures, reassessed regularly, on the approval and marketing of products and services involving the prevention, among other things, of conflicts of interest or, when they do occur, the obligation to disclose them unequivocally to Customers so that they may make an informed investment decision.

9. Recording of activities

The Bank maintains and regularly updates records on all types of financial intermediation and insurance distribution activities carried out directly by the Bank, or on its behalf, on its own account or through third parties, in which a specific conflict of interests has occurred entailing a significant risk of affecting the interests of one or more Customers.

The Compliance Department and Areas Tied to Financial Intermediation Activities and distribution of insurance-based investment products are responsible for maintaining these records and keeping them up-to-date.

10. Distribution

This policy will be distributed by the Bank:

- a) Internally, for employee information and compliance purposes, at the Bank's intranet page;
- b) Externally, for customer information purposes, and for the explicit acceptance of Relevant Persons, at the Bank's Internet page.

The Compliance Department will also disseminate this policy through training initiatives and/or publications at the Bank's intranet page.

11. Communication of Conflicts of Interest to Customers

The Bank makes this Policy available to Customers through its website.

With regard to communications on specific conflicts, prior to carrying out any investment or other service or activity subject to an unavoidable conflict of interest, the Bank will provide the Customer with associated information, and will request an express written



statement that the Customer has been duly informed of the conflict of interest and agrees to continue with the transaction.

12. Revision of Policy

This Policy will be subject to regular annual revision, and may be revised on an extraordinary basis whenever deemed necessary by the Board of Directors, or at the request of the Compliance Department following the preparation of the Internal Control Report, or when any shortcoming or discrepancy is found in relation to conflicts of interests which occur.