



ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING POLICY

2023

novobanco Group

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1 Purpose

This policy aims to:

- Present an integrated vision of the General Risk Management Policies for Money Laundering and Terrorist Financing;
- Establish the key principles, action and diligence parameters and controls to be used by **novobanco Group** entities to prevent, detect, and combat the risks of money laundering and terrorist financing (ML/TF) and to effectively comply with restrictive measures;
- Ensure compliance with the legal and regulatory requirements for the Anti-Money Laundering and Counter-Terrorist Financing (AML/CTF), as well as Restrictive Measures;
- Safeguard the exposure of the **novobanco Group** to situations that involve a potential risk of ML/TF or Restrictive Measures;
- Define and formalise the vectors of action for the risk management model adopted in this area, as well as describe the governance model, indicating the main roles and responsibilities.
- This Policy strengthens and does not prevent the application of the provisions set out in the novobanco Code of Conduct.

2 Specific Rules

2.1 Scope

This policy applies to all processes carried out by **novobanco Group**, the implementation of which is directly or indirectly related to the current legal and regulatory requirements to prevent, detect and combat ML/TF and Restrictive Measures.

This policy is binding and of general application throughout **novobanco Group**:

- The entities of the **novobanco Group** (novobanco, S.A., novobanco dos Açores, BEST Banco Eletrónico de Serviço Total and GNB Gestão de Ativos, SGPS, S.A. and the companies controlled by them, as well as external branches of novobanco);
- The Members of the Governing Bodies of the **novobanco Group**;
- The Managers and Directors of the **novobanco Group**;
- Key Function Holders, under the Legal Framework of Credit Institutions and Financial Companies ('RGICSF');
- All other Employees of the **novobanco Group**;
- Third parties, including service providers and subcontractors, representatives, tied agents, promoters and credit intermediaries in the provisions applicable to them, by expressly adhering to it or by being legally obliged to comply with it.

2.2 Application of the Policy to the novobanco Group entities

This policy has been drawn up by novobanco and establishes the rules and principles that must be complied with in terms of AML/CTF, applicable to all Group entities. This policy is made available to the Group's other entities, which must adopt, apply and have it approved by their governing bodies, with the adaptations strictly necessary to suit their operating circumstances, to guarantee compliance with the legislation and regulations applicable to them in terms of AML/CTF and Restrictive Measures.

2.3 Concepts and definitions

Virtual asset activity - Economic activities, carried out in the name of or on behalf of a customer, of the following nature: i) exchange services between virtual assets and fiat currencies; ii) exchange services between one or more virtual assets; iii) services in which a virtual asset is transferred from

one address or portfolio to another; iv) custody or administration services for virtual assets; v) applications that allow the holding, storage or transfer of virtual assets;

Virtual Assets - Digital representation of value that is not necessarily associated with a legally established currency and does not have the legal status of a fiat currency, security or other financial instrument, but which is accepted by natural or legal persons as a means of exchange or investment and which can be transferred, stored and traded electronically;

Shell bank - Any entity performing activities akin or equivalent to those of a financial entity, established in a country or jurisdiction without a physical presence involving actual management (with the mere existence of a local agent or subordinate employees not constituting a physical presence), and not belonging to a regulated financial group.

Beneficial Owner - The natural person(s) who ultimately own(s) or control(s) the customer and or the natural person(s) on whose behalf a transaction or activity is carried out, in accordance with the criteria established in Article 30 of Law no. 83/2017, of 18 August ("Law").

- a) In the case of corporate entities, the following persons are considered the beneficial owners, when they are not companies with shares admitted to trading on a regulated market subject to disclosure requirements in line with European Union law or subject to equivalent international standards that guarantee sufficient transparency of ownership information:
- The individual or individuals who ultimately retain ownership or control, whether directly or indirectly, of a sufficient percentage of stocks, voting rights or share capital of a legal entity;
 - The individual or individuals who exercise control over the legal entity by other means;
 - The person(s) in top management, if, after all possible means have been exhausted and provided there are no grounds for suspicion, no person has been identified in accordance with the previous points or there are doubts that the person(s) identified are the beneficial owners.

In these cases, and to assess the status of beneficial owner, novobanco must:

- Take into account shares representing more than 25% of the customer's share capital held by a natural person as evidence of direct ownership;
- Take into account as evidence of indirect ownership the holding of shares representing more than 25% of the client's share capital by a corporate entity under the control of one or more natural persons or several corporate entities under the control of the same natural person(s);
- Check if there are any other control indicators and other circumstances that might indicate control by other means.

b) In the case of trusts, the following are considered beneficial owners:

- The founder (*settlor*);
 - The trustee(s) of trust funds;
 - The curator, if applicable;
 - The beneficiaries or, if these are yet to be determined, the category of persons in whose main interest the trust fund was established or carries out its activities (or equivalent);
 - Any other natural person who holds the final control of the trust through direct or indirect shareholding or through other means.
- c) In the case of legal entities of a non-corporate nature, such as foundations, or legal arrangements of a nature similar to trusts, the natural person(s) in a position equivalent or similar to those mentioned in paragraph b) above shall be considered to be the beneficial owner(s);

Money Laundering – Conduct specified and punishable by Article 368-A of the Penal Code. The acquisition, possession, or use of assets, in the knowledge that, at the moment of their receipt, they come from a criminal activity or participation in an activity of this nature, and participation in one of these acts, forming an association to perform said acts, the attempt at and complicity in their practice, as well as facilitating them or advising someone to perform them. It is also the process of concealing the provenance of the assets and revenue (benefits) obtained by illicit means and transforming the liquidity arising from such activities into legally reusable money, by disguising the origin and true beneficiary of the funds. Money laundering can involve three stages: placing goods and income in financial and non-financial circuits; circulation, by subjecting goods and income to multiple and repeated transactions; and integration, through which goods and income, once recycled, are reintroduced into legitimate economic circuits;

Legal Arrangement - Autonomous asset, such as a condominium in a horizontal property, a fallow inheritance, or a trust fund under foreign law, when and under the terms in which they are given relevance by domestic law.

Customer - A natural person, legal person, corporate or non-corporate, or legal arrangement that comes into contact with a Group entity for the purpose of providing a service or making a product available to it, through the establishment of a business relationship or carrying out an occasional transaction;

Employee - A natural person who, on behalf of or in the interest of the **novobanco Group** and under its authority or dependence, participates in any transactions, acts or procedures specific to the activity pursued by the **novobanco Group**, regardless of the nature of the underlying relationship;

Significant Employee - Employee (internal or external) of **novobanco Group** who: i) is a member of the Board of Directors; ii) performs duties that involve direct contact, in person or at a distance,

with the Customers of the **novobanco Group**; iii) performs duties at **novobanco Group** that relate to compliance with the regulatory framework in terms of AML/CTF; or iv) is classified as such by the **novobanco Group**;

Distance communication - any means of communication - telephone, electronic, computer or other - that makes it possible to establish commercial relations, carry out occasional transactions or carry out operations in general in non-face-to-face situations;

Account - Bank account opened to set up one of the types of deposit provided for in Article 1 of Decree-Law no. 430/91, of 2 November, consolidated version, as well as any other payment account within the meaning of Article 2(g) of the Legal Framework for Payment Services and Electronic Money (RJSPME);

Jumbo Account - An account held by the financial organisation itself and used by it on behalf of its customers or Counterparties;

Customer Due Diligence (CDD) - Identification and verification procedure for collecting and assessing important information about a customer, in order to identify the level of risk associated with establishing a business relationship with them;

Top management - Any manager or employee with sufficient knowledge about the exposure of the **novobanco Group** to ML/TF risk who exercises executive functions that allow them to make decisions that directly affect this exposure, but not necessarily a member of the board of directors;

Enhanced Due Diligence (EDD) - Procedure involving the application of enhanced due diligence measures to customers presenting an increased risk, including PEP, HOPPP or correspondence relationships, in the operations or occasional transactions carried out by them;

Terrorist Financing - The conduct specified in and punishable by Article 5-A of Law no. 52/2003, of 22 of August (consolidated version), of supplying, collecting or holding (directly or indirectly) funds or goods of any kind, as well as products or rights that can be transformed into funds, intended for use (in whole or in part) in the planning, preparation or commission of terrorist acts. In terrorist financing, one of the primary purposes of the financiers is to conceal the purpose for which the funds are intended, and one of the greatest difficulties is that the amounts involved are often relatively low and usually of lawful origin (e.g. donations to charities or non-profit organisations), making it more difficult to detect the transactions in question;

Jurisdictions associated with a higher risk of ML/TF - Jurisdictions which, on the basis of a prior assessment, are considered to present a higher risk of ML/TF, including but not limited to high-risk third countries;

Know Your Customer (KYC) - This presupposes knowledge by the **novobanco Group** of the Customers and Counterparties with whom they relate, through the application of CDD activities, acting in a preventive and/or reactive manner through the risk-based approach in force at all times and the verification of ML/TF occurrences and Restrictive Measures;

Know Your Transaction (KYT) - This presupposes knowledge and constant monitoring by the **novobanco Group** of the transactional profile of its Customers and Counterparties, making an assessment based on the risk-based approach in force at all times and on the knowledge resulting from KYC, the underlying economic rationale and the potential risk of ML/TF and Restrictive Measures;

Origin of Funds - The source of the funds involved in the business relationship or occasional transaction, including the activity that generated them and the means used to transfer them;

High-risk third countries - Non-EU countries or jurisdictions identified by the European Commission as having national ML/TF regimes with strategic deficiencies considered posing a significant threat to the EU financial system;

Payable-through accounts – Payable-through accounts are accounts held by correspondents which, directly or through a sub-account, enable the performance of own account transactions, by customers of the respondent or other third parties;

Politically Exposed Person (PEP) - Natural persons who perform or have performed in the last 12 months, in any country or jurisdiction, the prominent public functions at a senior level specified in Article 2(1)(cc) of the Law and Articles 2 and 3 of Law 52/2019 of 31 of July;

Pooled Account - Bank account opened by a Customer to hold the funds of its customers, who do not have the power to operate the Account and, consequently, cannot give direct instructions to the **novobanco Group** to carry out transactions;

Business Relationship - Any relationship of a business, professional or commercial nature, including those established as part of an investment or divestment operation, which, at the time it is established, is or is expected to be lasting, stable and continuous over time, regardless of the number of individual transactions that form or will form part of the established relational framework;

Correspondence Relationship - Provision of services by the **novobanco Group**, a financial entity or other provider of similar services (the correspondent), to another bank, financial entity or other entity of an equivalent nature that is its customer (the respondent);

Officer Responsible for Regulatory Compliance (RCN) - A member of senior management or equivalent responsible for monitoring compliance with the regulatory framework for AML/CTF matters;

Holders of Other Political or Public Positions (HOPPP) - natural persons who, while they cannot be classified as politically exposed persons, hold or have held, in the last 12 months and on Portuguese territory, the positions listed in Articles 2 and 3 of Law no. 52/2019, of 31 July, which approves the regime for the exercise of functions by holders of political offices and senior public positions;

Trade finance - Provision of trade finance services used essentially to facilitate the movement of goods at a national or cross-border level, through the supply of a series of financial instruments and services that facilitate trade transactions, making it possible to mitigate the risks incurred by importers and exporters of goods;

Occasional transaction - Any transaction carried out by the **novobanco Group** outside the scope of an established business relationship, particularly one that is sporadic in nature. This includes banknote and coin exchange operations carried out on a one-off, irregular basis for customers with whom the Bank does not have an established commercial relationship;

Transfer of Funds - Any transfer within the meaning of Article 3(9) of Regulation (EU) 2015/847.

3 Principles, Responsibilities, Competences, Governance Model / Organisation

3.1 Responsibilities, Competences and Governance Model

Preventing, detecting and combating ML/TF and Restrictive Measures requires the definition of a specific governance model to identify, monitor and control the ML/TF and Restrictive Measures risks for the **novobanco Group**, guaranteeing functional segregation between the competences and responsibilities of the Bodies involved.

Therefore, and to comply with the aforementioned principle, **novobanco Group** operationalises the ML/TF and Restrictive Measures risk governance model with the establishment of three lines of defence, and through this policy defines their respective competences and responsibilities.

The governance model adopted by the **novobanco Group** in this area ensures co-operation and guarantees a strict distinction between the Business and Support Bodies, the Management and Control Bodies and the Independent Assessment or Supervisory Bodies.

3.2 Preventive ML/TF duties and relevant additional measures

Law 83/2017 establishes measures of a preventive and coercive nature for combating ML/TF, expanding the scope and reinforcing compliance with the 10 Preventive Obligations of ML/TF to be observed by financial institutions and their employees.

3.2.1 Duty of Control

In order to properly exercise its duty of control, the **novobanco Group** has implemented an internal control system, with policies, procedures and controls defined and applied at Group level, covering the definition and implementation of:

- An efficient risk management model, which incorporates the identification, assessment and mitigation of ML/TF risks that the entity is or will be exposed to;

- Customer acceptance criteria;
- Appropriate ongoing training programmes for employees;
- Systems and processes for collecting, processing and archiving information in a timely manner that support:
 - a) analysis and decision-making by the relevant internal structures, especially in regard to monitoring customers and transactions and examining potential suspected ML/TF;
 - b) the duties of reporting and cooperating;
 - c) secure channels to maintain complete confidentiality on requests for information as part of the risk analyses carried out.
- adequate tools or information systems for effective ML/TF risk management;
- mechanisms to regularly test the quality of this Internal Control System and its suitability and effectiveness, including through external audits;
- appropriate internal resources that enable employees, regardless of their type of employment within the organisation, to independently and anonymously communicate through specific channel any violations of the law and its regulations, internal policies, procedures and controls;
- The development of policies and procedures to protect personal data;
- Designating a person responsible for monitoring compliance with the applicable regulatory framework.

For employees whose duties are relevant to the prevention of ML/TF, whatever the nature of their relationship with the Group entity, the Group also guarantees to:

- Disseminate up-to-date and accessible information on the internal rules for carrying out the duties arising from AML/CTF laws and regulations;
- Set up investigation procedures to ensure that high standards are applied in recruitment processes, and mechanisms to monitor their performance.

3.2.2 Duty of Identification and Due Diligence

The **novobanco Group** has defined and carries out identification and due diligence procedures whenever any of the following situations arise:

- If a business relationship is established;
- If there are occasional transactions of €15,000.00 or more, regardless of whether this is through a single transaction or there are several transactions that appear to be related, or a transaction is carried out as part of an activity with virtual assets, whenever the amount exceeds €1,000.00;
- It is suspected that the transactions may involve ML or TF;
- There are doubts regarding the accuracy or suitability of previously obtained customer

identification data.

This obligation also applies to: i) third parties; ii) credit brokers; iii) promoters and intermediation relationships; iv) outsourcing.

3.2.3 Duty to Report

Whenever it knows, suspects or has sufficient reason to suspect that funds or assets come from criminal activity or are related to the financing of terrorism, covering all transactions that have been proposed, attempted, are in progress or have been carried out in this regard, the **novobanco Group** will immediately notify the DCIAP (Central Department for Investigation and Criminal Action) of the Attorney General's Office and the UIF (Financial Information Unit) of the Judicial Police.

3.2.4 Duty to Abstain

The **novobanco Group** can abstain from performing transactions known or suspected to be associated with funds or other assets originating from or related to criminal activities or terrorist financing.

3.2.5 Duty of Refusal

The **novobanco Group** exercises the duty of refusal, whenever, in the establishment or maintenance of a business relationship, or in the execution of an occasional transaction or other operations, any of these circumstances arise:

- It fails to obtain identification information and respective proof of identity from the customer, representative or beneficial owner, including information needed to ascertain the capacity of beneficial owner, ownership structure and control of the customer;
- It fails to obtain information about the nature, object and purpose of the business relationship;
- Identification and due diligence procedures cannot be fulfilled, including data updating procedures.

3.2.6 Duty of Retention

The **novobanco Group** guarantees that the original documents, copies, references and any other durable mediums provided by customers or counterparties in relation to the identification and due diligence process, together with any documents, transaction records and supporting analyses demonstrating compliance with applicable legal and regulatory provisions, are kept for seven years after the time of the identification process, performance of the transaction and end of the business relationship.

3.2.7 Duty to Investigate

The **novobanco Group** investigates with particular care and attention, intensifying the degree and nature of monitoring, in the event of finding conduct, activities or transactions whose constituent nature makes them potentially related to funds or other assets originating from criminal activity or related to terrorist financing.

When, after an assessment, it is considered that the behaviour of a certain entity suggests a relationship with activities or operations characterised by the practice of ML/TF, the duty of investigation is complied with and additional steps are taken to increase the degree and nature of the monitoring carried out.

3.2.8 Duty to Cooperate

The **novobanco Group** cooperates promptly and fully with the competent authorities (DCIAP-PGR / UIF-PJ), judicial and police authorities, tax and customs authorities, and sectoral authorities.

Due to different analytical and monitoring processes and operational diligence in preventing ML/TF, and in carrying out the duties to report, abstain, refuse and cooperate (Art. 53), responses to requests from competent and sectoral authorities are provided in a complete and comprehensible manner, within the deadlines established by these authorities.

3.2.9 Duty of Non-disclosure

The **novobanco Group** may not disclose information to customers or third parties, namely information relating to communications made, or in progress or on information requests from them, or on investigations, inquiries, inspections, analyses or legal proceedings which are in progress by the aforementioned authorities.

Neither may it disclose information to customers or third parties relating to the analysis of particularly suspicious transactions, avoiding any measures which, for any reason, may raise suspicions that any procedures are in progress aimed at investigating suspected practices related to ML/TF.

Any breach of this obligation by employees or the financial institution may result in criminal offences subject to prison sentences and fines.

3.2.10 Duty of Training

The **novobanco Group** holds regular, specific training initiatives to teach employees how to recognise transactions potentially involving ML/TF and act according to the law and its associated regulatory norms.

In order to ensure full compliance with the duty to provide training, as referred to in the Law, and to implement the measures set out in Bank of Portugal Notice no. 1/2022 of 6 of June, the **novobanco Group** has developed and established training policies and procedures on AML/CTF, which have been incorporated into the Group's overall strategy.

3.3 Global ML/TF Prevention Model

3.3.1 Risk Management

Establishing an effective model for managing ML/TF risks ("Risk Model"), with suitable practices for identifying, assessing, managing, controlling and communicating the existing and future risks to which the Group is exposed in this regard, has become a priority in meeting the strategic goals which are aligned with the Group's business model, stakeholder commitments and regulatory requirements in force.

The Board of Directors of each Group entity is responsible for establishing and annually updating the institution's degree of risk tolerance, by monitoring the effective risk profile and guaranteeing consistency between both, as part of the Group's AML/CTF risk model.

The ML/TF Risk Model is updated periodically, or when justified by a relevant, duly substantiated and detailed situation and is based in a control environment which keeps the risk profile within established levels per the defined degree of risk tolerance, as well as limits set for the types of risk considered acceptable for each relevant business, recommendations from supervisory and regulatory boards and best domestic and international practices.

As such, the Risk Model's primary means of mitigation are appropriate programmes in the areas of Know Your Customer (KYC), Know Your Transactions (KYT) and Know Your Process (KYP), implemented and defined in specific company procedure manuals and rules, thereby ensuring legal and regulatory compliance as well as the rationale and underlying mechanisms of the institution's specific policies for managing these risks.

3.3.2 Risk Assessment

The evaluation of risk, commonly known as risk assessment, is done by the Group within the scope and context of each operating process, by means of established mechanisms and procedures which: i) include the operating processes themselves; ii) are applied in the wake of the operating processes and underlying business relationships; iii) or, in some situations, *à posteriori* from the occurrence of

these operating procedures or upon completion/execution of the transactions in relation to the established business relationships.

The Group considers and incorporates into its AML/CTF functions the most up-to-date market practices and recent legal standards in force, supported by the Risk Model, which is specifically dealt with in a related document.

3.3.2.1 ML/TF Customer risk rating

In the context of establishing/updating participants in a business relationship, whether the customer is new or existing, the institution has an automatic risk assessment model to classify business relationships. It takes into consideration the characteristics of the counterparties involved, their representatives and beneficial owners in terms of the degree of permeability to risk activities, in the context of ML/TF, and the calculation combines two components:

- A weighted calculation engine based on profiling the players involved, using a risk matrix and proprietary algorithms, and
- A filtering process for Counterparties against:
 - a) International exception lists in particular from the European Union, OFAC (SDN, PLC), the United Nations, UK-HMT, Fincen and FATF/GAFI, as well as its own list;
 - b) Reference list of PEPs.

3.4 Policies and Procedures

3.4.1 Customer Acceptance

The establishment or maintenance of any business relationship is underpinned by a risk-based approach, which adopts effective KYC measures and enhanced due diligence through risk classification in terms of ML/TF.

When establishing and monitoring business relationships with customers, and in compliance with general applicable regulatory duties such as identity checks and due diligence¹, processes and procedures are put in place which employ computer tools used comprehensively for all risks identified, to classified customers in terms of their risk profile.

The adoption of effective KYC measures is essential for effective ML/TF risk management, and novobanco:

¹ Pursuant to Article 23 of the Law – Duty of identification and due diligence.

- carries out due diligence by consulting suitable, credible and diverse sources of information in order to ensure that the information on customers, representatives and beneficial owners is up-to-date, accurate and complete;
- classifies all the customers in its database according to their risk profile;
- adjusts the levels of due diligence (simplified or enhanced) according to the risk profile, and undertakes out a detailed identification of counterparties to find out about the nature of the business activities they carry out and the necessary steps to effectively understand the ownership and control structures of the legal persons;
- has processes in place to monitor customers and accounts that may constitute a higher risk in terms of ML/TF;
- in the continuity of the business relationship, it also updates the information according to the degree of risk associated with each customer, varying the time intervals in reverse order of the degree of risk identified.

Prior to establishing a business relationship, it is mandatory to provide information on all the identifying documents required by the legislation and regulations in force and the respective means of proof. The central validation of details and documents carried out *a posteriori*, for all new business relationships reinforces this compliance, constituting a primary control and risk mitigation factor.

Within the scope of analysing and approving legal persons, and based on risk, measures are taken to prove the quality of beneficial owners, namely by collecting documentary evidence needed to fully understand the shareholder structure of these counterparties, to properly identify them and, at the same time, relate the beneficial owners identified with the customer.

Pursuant to the law, novobanco performs consultations and, if applicable, notifies the Institute of Registries and Notaries (IRN), as part of the Beneficial Owner Central Registry (RCBE), when any information on the beneficial owner's capacity is omitted, inaccurate, non-compliant or outdated.

Novobanco also collects the identities of the boards of directors, other relevant senior officials, and shareholders with voting rights of 5% or more.

3.4.1.1 Criteria for non-acceptance (not exhaustive)

In order to prevent the risk of ML/TF, the **novobanco Group** refuses to establish or maintain a business relationship in the following situations:

- Natural or legal persons who do not co-operate with the novobanco Group and refuse to provide the legally required information or documentation;

- Natural or legal persons referred to in official lists of Sanctions or Restrictive Measures, specifically those adopted by the UN Security Council, the European Union or OFAC;
- Resident natural persons or legal entities incorporated in jurisdictions considered prohibitive in terms of ML/TF;
- Credit institutions and financial or similar companies not registered or authorised by the competent authorities, including those publicly disclosed by the Bank of Portugal;
- Legal or natural persons who consider themselves to be designated entities under Section 311 of the USA Patriot Act;
- Anonymous or numbered accounts or natural persons wishing to establish a business relationship using clearly fictitious names;
- Payable-through accounts;
- Establishing or maintaining business relations or correspondence with shell banks or organisations;
- Establishing correspondence relationships with other credit institutions located in jurisdictions considered prohibitive in terms of ML/TF.

3.4.1.2 Enhanced Due Diligence Measures

By way of example, and without prejudice to others that may be more appropriate to the specific risks identified, the following are examples of enhanced measures under the terms of the Law:

- a) Obtaining additional information on customers, their representatives or beneficial owners, as well as on the planned or executed transactions;
- b) Performing additional due diligence to verify the information obtained;
- c) Getting higher level supervisors involved in authorising the establishment of business relationships, performing occasional transactions or carrying out operations in general;
- d) Intensifying the depth or frequency of monitoring procedures of the business relationship or specific transactions or series of transactions, in order to detect possible indicators of suspicion and subsequent compliance with the duty to report under Article 43;
- e) Reducing the time intervals for updating information and other documents collected in exercising the obligation of identification and due diligence;
- f) The monitoring of the business relationship by the compliance officer referred to in Article 16 or by another employee of the obliged entity who is not directly involved in the business relationship with the customer;
- g) Requiring the first payment for a given transaction to be made through a traceable medium from a payment account opened by the customer with a financial institution or other legally authorised entity, which, as it is not located in a high-risk third country, demonstrably applies equivalent identification and due diligence measures.

In accordance with the provisions of the Law, the **novobanco Group** also applies the enhanced measure set out in paragraph e) as it considers the degree of risk of the customer, representative or beneficial owner, when updating information and other documents collected in the exercise of the duty of identification and due diligence.

In remote opening accounts, the first payment is required to be made through a traceable medium from a payment account opened by the customer with a financial institution which, as it is not located in a high-risk third country, demonstrably applies equivalent identification and due diligence measures.

3.4.1.2.1 Criteria for applying EDD (Enhanced Due Diligence) measures

- Natural or legal persons that the Group has previously classified as having a higher risk of ML/TF;
- Individuals (third country nationals) who apply for residence or citizenship rights in Portugal in exchange for capital transfers, the acquisition of assets or public debt securities or investment in corporate entities established on Portuguese territory;
- Natural or legal persons with residence or nationality in jurisdictions associated with a higher risk of ML/TF;
- Natural persons or legal entities having business relationships with entities present in jurisdictions associated with a higher risk of ML/TF;
- Embassies and consulates;
- Regulated charities/social welfare organisations;
- Non-governmental organisations;
- Correspondent banking relationships involving entities based in countries outside the European Union (except CORE TIER 1 institutions based in the USA);
- Politically Exposed Persons (PEP), their Family Members and Associates and Holders of Other Political or Public Positions (HOPPP).

3.4.1.2.2 Correspondent Bank Relations

The opening of correspondent banking relationships (including accounts and exchange of RMA keys) are subject to a risk assessment aimed at understanding the nature of the counterparty's business, whether it is properly licensed, the benchmarking of its policies and procedures against best international practices, the composition of its shareholder structure, members of its governing bodies, beneficial owners and open-source consultation, together with supplementary identification

procedures as provided for by law².

3.4.1.2.3 Politically Exposed Persons (PEP), their Family Members and Associates and Holders of Other Political or Public Positions (HOPPP)

In establishing business relationships, at the start or over their course (addition of holdings in contracts), with customers who are resident or non-resident PEP (Politically Exposed Persons)³ or who have a similar classification⁴, novobanco collects declarations regarding the holding of the political/public position, with the involvement of the senior management levels needed to authorise the establishment of business relationships with these customers.

Article 39 of Law no. 83/2017 of 18 August contains a broader concept of PEP, expanding not only the range of natural persons described, but also additional due diligence measures, namely the requirement to submit proof of assets or source of funds where applicable (prior to establishing the business relationship or performing any sporadic transaction over the course of the relationship when there is an acquisition of PEP status and while updating information).

Novobanco records information separately on the following entities:

- Politically Exposed Persons;
- Close Family Members;
- Closely Associated Persons; and
- Holders of Other Political or Public Positions.

3.4.1.3 Simplified Due Diligence Measures

Novobanco may, under the exact terms of the Law and Bank of Portugal Notice no. 1/2022, after identifying a demonstrably low risk of ML/TF, adopt simplified measures under the duty of identification and due diligence. The measures applied must, upon evaluation, be proportional to the reduced risk factors identified, and their application does not exempt novobanco from monitoring transactions and business relationships in order to detect atypical and/or suspicious operations.

The legislation in force defines, albeit in a non-exhaustive manner, situations indicative of potentially lower risk inherent to customers, products, services, operations, distribution channels and

²Pursuant to Article 27 of the Law – “Determining the purpose and nature of the business relationship, the origin and destination of the funds of the business relationship or sporadic transaction, and constant monitoring of the business relationship in accordance with the customer's risk profile”.

³ Pursuant to Article 2(1)(cc) of Law no. 83/2017 of 18 August.

⁴ Pursuant to Article 2(1)(dd),(gg) and (w) of Law no. 83/2017 of 18 August.

geographical location, and the aspects to be considered when assessing potential risk situations are regulated in Annex II of Banco de Portugal Notice 1/2022.

Novobanco applies simplified due diligence, which excludes the identification of beneficial owners, in accordance with the provisions of the account opening/shareholding management and customer management regulations, for:

- Companies with shares admitted to trading on a regulated market and subject to disclosure requirements in line with European Union law, or subject to equivalent international standards that guarantee sufficient transparency of information relating to ownership and branches and subsidiaries subject to their exclusive control, provided that they provide documentary evidence of such exclusive control;
- Public entities excluded from the RCBE (diplomatic and consular missions, as well as international bodies of a public nature recognised under an international agreement of which the Portuguese state is a member, established or with headquarters in Portugal, the services and entities of the subsectors of the Central, Regional or Local Administration of the State, independent administrative entities, namely those that regulate economic activity in the private, public and cooperative sectors, as well as those that work with the Assembly of the Republic, the BoP and the Media Regulatory Authority).

3.4.2 Retaining Customers

Since understanding customers and gathering information to do so does not end once the business relationship is established and must be reinforced and updated regularly in accordance with the assigned degree of risk or whenever events so justify, procedures have been put in place to fulfil the duty of updating information⁵. Measures for updating information have different priorities and frequencies and vary according to the degree of risk associated with the customer.

The change in the customer's level of risk stems from the relationship the customer has with novobanco, which applies increased diligence measures in relation to potentially higher risk situations and may, whenever it deems it necessary, cease the business relationship.

3.4.3 Closing accounts

The disengagement process established by **novobanco Group**, considers reputational factors and exposure to ML/TF and Restrictive Measures, and may be caused by the following situations:

⁵ Pursuant to Article 40 of Law no. 83/2017 of 18 August – Updating procedures.

- Absence of information or supporting documents by the Customer in the context of the periodic review;
- Failure to comply with due diligence measures; and/or
- Risk assessment resulting from ML/TF monitoring and controls.

This practice falls under Article 50(3)(b) of the Law and Article 49 of Bank of Portugal Notice no. 1/2022, justifying the termination of the business relationship with the customer, whenever a potential ML/TF risk is found which cannot be managed by the **novobanco Group** in any other way.

3.4.4 Monitoring, controlling and analysing operations

In order to constantly monitor the performance of customers, customer transaction profiles are analysed, and customers undergo evaluation and comparison based on historical customer knowledge, the underlying economic rationale of the professional position and/or business sector, and their potential involvement in situations of ML/TF risk, while also considering the regions involved.

With regards to controls in place for transaction monitoring (Monitoring), novobanco conducts an assessment through a comparative analysis of alerts generated by an automatic account monitoring tool, in accordance with specific parameters, with enhanced due diligence measures whenever so justified, from the standpoint of AML/CTF.

3.4.5 Own Account Operations

The **novobanco Group** includes the following under “Own Account Operations”:

- Pure own portfolio transactions (securities, available funds and equity holdings) in which novobanco has the role of buyer/seller counterparty *vis-à-vis* clearing houses, brokers, selected custodians or other entities;
- Trading room transactions entered into and performed from the standpoint of cash management with banks and brokers;
- Transactions performed on behalf of third parties who are not customers (custodians, correspondents, financial intermediaries, agents, management and maintenance of RMAs, off-balance-sheet transactions, etc.).
- Transactions on own account, or not, between novobanco and other Group entities, outside the scope of a customer relationship, i.e. intra-group transactions.

This aspect has been duly provided for in legislation in force, namely Article 63 of the Law, and Article 54 of Bank of Portugal Notice no. 1/2022, while the activity itself is regulated by market mechanisms.

Business counterparty relationships comply with established contracts and SLAs (Service Level

Agreements), which tend to follow international standardisation of conditions and clauses, thereby mitigating current risks associated with financial circuits.

3.4.6 Training

The **novobanco Group** has an AML/CTF training plan which includes:

- Training new employees;
- Regular training;
- Training for management and supervisory boards.

The overall aim is to guarantee full, permanent and up-to-date knowledge of, among other things:

- The legal and regulatory framework applicable to AML/CTF;
- The AML/CTF policies, procedures and controls defined and implemented within the **novobanco Group**;
- Guidelines, recommendations and information issued by judicial, police and supervisory authorities or associations representing the sector;
- The risks, types and methods associated with funds or other assets originating from or related to criminal activities or terrorist financing;
- The vulnerabilities of the products, services and operations offered by the **novobanco Group**, as well as the distribution channels for these products and services and the means of communication used with customers;
- The reputational risks and consequences of administrative offences arising from failure to comply with preventive ML/TF duties;
- The specific professional responsibilities in terms of AML/CTF and, in particular, the policies, procedures and controls associated with the fulfilment of preventive duties.

3.5 Restrictive Measures and Penalty Scheme

Restrictive measures, also called sanctions, are a multilateral tool of a political, economic or diplomatic nature used by international institutions to exercise influence in matters such as preventing and repressing terrorism, promoting and defending human rights and public freedoms, discouraging armed conflicts and prohibiting the development of weapons of mass destruction.

In Portugal, the Law no. 11/2002 of 16 of February establishes the penal scheme for the breach of financial or commercial sanctions handed down by resolution of the United Nations Security Council or EU regulations with restrictions on establishing or maintaining financial or commercial relationships with the States, other entities or individuals expressly identified.

The publication of Law no. 83/2017⁶, of 18 of August and Law no. 97/2017 of 23 of August, and the provisions of the Annual AML Report to supervisory authorities, have reinforced and intensified the national legal and regulatory framework in this regard.

As a result, the Group is subject to domestic and international sanction schemes, namely those emanating from the European Union (Regulations and Directives), from the United Nations Security Council, from OFAC – Office of Foreign Assets Control (US Treasury Lists), from US President Executive Acts, with regards to transactions in USD and the scope of secondary (extraterritorial) sanctions, when applicable.

The database filtering systems in place include processes which constantly update and cross-reference the names of persons and entities on lists of sanctions and restrictive measures issued by key international organisations, with online filtering systems having been deployed for transactions, payments and transfers.

They also take into consideration changes in records and international sanctions schemes, and whenever deemed useful for the purposes of AML/CTF operating security and clarification, the competent domestic authorities are consulted⁷, and their interpretive recommendations are incorporated in this regard.

3.6 Wolfsberg AML Questionnaire

Novobanco follows the principles found in the Wolfsberg AML Questionnaire with regards to AML/CTF. This document, which is updated periodically, has been published on the novobanco website: www.novobanco.pt.

3.7 USA Patriot Act Certificate

In accordance with the USA Patriot Act (“Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act 2001), novobanco may be required to provide, whenever necessary, a Certification Regarding Accounts for Foreign Banks.

The USA Patriot Act has been published on the novobanco website: www.novobanco.pt.

⁶ Article 21 - Restrictive Measures; Article 18 - Information systems and procedures in general; Article 169 – Administrative offences and Annex III – Non-exhaustive list of potentially higher risk factors and types, (3) – Risk factors associated with geographical location, subparagraph c) Countries and jurisdictions subject to sanctions, embargoes or other restrictive measures or additional countermeasures, imposed by the United Nations and European Union, and d) Countries and jurisdictions providing financing or support to terrorist acts or activities, or where terrorist organisations operate.

⁷ Directorate-General for Foreign Policy of the Ministry of Foreign Affairs and Office for Planning, Strategy, Evaluation and International Relations of the Ministry of Finance.

3.8 Reporting of Irregularities (Whistleblowing)

Novobanco has set up specific, independent and anonymous internal channels to receive, process and file reports of irregularities relating to possible violations of this law, the regulations that implement it, and the policies and internally defined procedures and controls for AML/CFT.

These channels fulfil the following principles:

- a) They are proportionate to the nature, size and complexity of novobanco's business;
- b) They shall ensure the confidentiality of the communications received and the protection of the personal data of the whistleblower and suspected infringer.

3.9 Data protection and processing

In accordance with the provisions of Law no. 83/2017, novobanco is authorised to process the personal data necessary to comply with the preventive duties provided for in the Law. However, the processing of personal data carried out by novobanco in this context is for the exclusive purpose of AML/CTF and may not be further processed for any other purpose, including commercial purposes.

3.10 Disciplinary Measures and Criminal Sanctions

The sanctions outlined in the Law may be applied to the banks and to all individual members of their governance bodies who act in their capacity as managers or the management, or who act as management representatives, and to all the employees and other people who provide permanent or sporadic service. The following should be noted:

Penal Code - Art. 368-A

- Those who convert, transfer, aid or facilitate a conversion transaction or transfer of benefits, for themselves or for third parties, directly or indirectly, in order to disguise its illicit origin, or to prevent the perpetrator or participant of such infractions from being criminally pursued or submitted to a criminal reaction, shall be punished with a prison sentence of between 2 and 12 years;
- The same punishment applies to those who hide or disguise the true nature, origin, location, availability, movement or ownership of benefits or the relative rights.
- Punishment for the aforementioned offences shall occur even if the facts that make up the underlying offence were committed outside Portuguese territory, or even if the place of the commission of the act or the identity of the perpetrators is unknown.

Law No. 83/2017

- The liability of legal persons and entities assimilated to legal persons does not exclude the individual liability of natural persons who hold directorial, senior management, managerial or supervisory positions, representatives, employees or other permanent or occasional workers;
- Illegitimate disclosure of information, communications, analyses or any other documents to customers or third parties is punishable:
 - In the case of natural persons, by imprisonment of up to three years or a fine in general terms (in the case of mere negligence, the penalty is reduced to 1/3 of the maximum limit);
 - In the case of legal persons or entities assimilated to legal persons, by a fine with a minimum limit of not less than 50 days.
- Article 169 of Law no. 83/2017 also establishes a series of measures to combat ML/TF and lists an exhaustive number (95) of illegal acts that constitute administrative offences.