

novobanco

ESG PRESENTATION

NOVEMBER 2024



Disclaimer

This document may include some statements related to the novobanco group that do not constitute a statement of financial results or other historical information. These statements, which may include forward-looking statements, targets, objectives, forecasts, estimates, projections, expected cost savings, statements regarding possible future developments or results of operations, and any forward-looking statement that includes statements such as "believes", "expects", "aims or intends", "may" or similar expressions, constitute or may constitute forward-looking statements.

By their nature, forward-looking statements are inherently predictive, speculative, and involve risk and uncertainty. There are many factors that can lead to results and developments that differ materially from those expressed or implied in forward-looking statements. These factors include, but are not limited to, changes in economic conditions in countries where the novobanco group has operations, tax or other policies adopted by various governments or regulatory entities in Portugal and in other jurisdictions, levels of competition from other Banks or financial entities, and future exchange rates and interest rate levels.

novobanco expressly disclaims any obligation or commitment to make any forward-looking review included in this document to reflect any event or change in future circumstances occurring after the date hereof.

This document includes unaudited financial information.

*Novo Banco, SA | Campus do novobanco | Av. Doutor Mário Soares - Edifício 1, Piso 2, Ala A, 2740-119 Porto Salvo | Portugal
Share Capital: 3 345 000 000.30 Euros represented by 500 000 000 shares
NIPC: 513 204 016 | LEI: 5493009W2E2YDCXY6S81*

novobanco ESG vision is built-in in its “Shaping the Future” strategy...

Customer-centric Bank

Reflecting evolving customer expectations through **distinctive value propositions**

Leveraging **digital and omnichannel approach** as drivers of **service** and **proximity**



Support our **clients transition** and maximize positive **impact on society and environment**



Simple and efficient operations

Simplifying the banking experience, through superior usage of **technology and data**

Improving **internal processes** to upgrade **productivity and efficiency**



Improve **efficiency**, enable **own transition**, ensure systems readiness for ESG



Developing people and culture

Attracting and developing a team of **skilled and fulfilled professionals** that actively **live the bank’s values**

Developing a **dynamic collaborative culture** in an environment adapted to the **new ways of working**



Strengthen **capabilities, inclusiveness, diversity and the engagement** of our people



Developing sustainable performance

Delivering **sustainable returns** through disciplined risk, capital and funding management

Strengthening the integration of **ESG across business** to support sustainable growth and key stakeholders



Build a robust **ESG governance & risk management framework**



...and tracked by our Social Dividend commitments, a comprehensive ESG framework shaped by a thorough dual materiality assessment

Customer-centric Bank

Green production¹

Target 2026
2.000 MEUR¹



Simple and efficient operations

Own emissions²

Target 2030
-54% vs. 2021



Developing people and culture

Equal pay³

Target 2026
Below 5%



Developing sustainable performance

Financed emissions reduction⁴

Target 2030
100% targets realized by sector



ESG investment products⁵

Target 2026
60% of invest. products



Renewables share⁶

Target 2026
100%



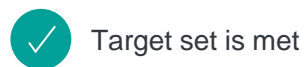
Employee engagement⁷

Target 2026
At least 65%



Women in management⁸

Target 2026
At least 40%



Target set is met

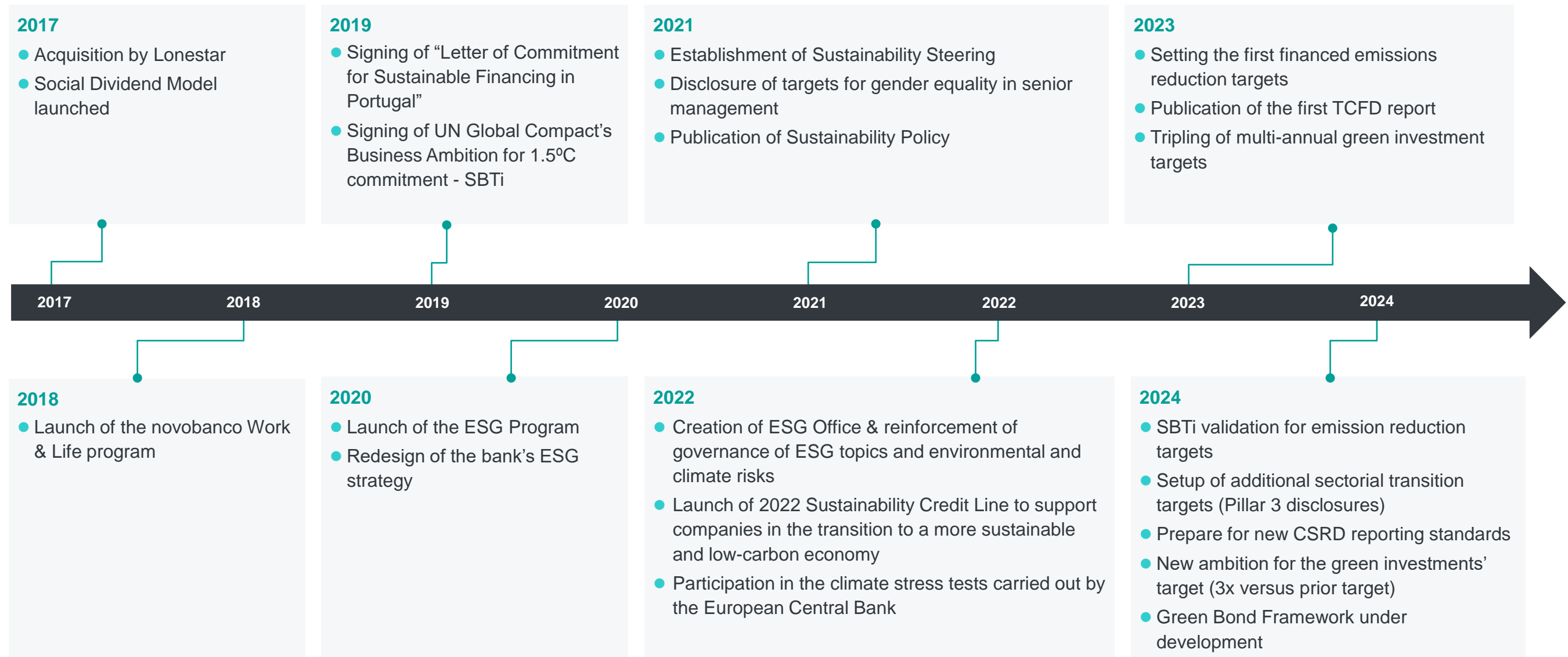


Target is on track

KPIs are as of June 2024

Note: (1) Loans and investments considered under novobanco green financing policy with a 650 MEUR target for 2024; (2) Scope 1 and 2 GHG emissions – as part of its emissions target review under SBTi novobanco further increased its target on Scope 1 & 2 emissions from a reduction of 50% to 54%; (3) Equal pay gap calculated per function (group view); (4) Achieving GHG emissions intensity targets for Power generation; Cement and CRE (Commercial Real Estate) – value to be calculated in EoY 2024; (5) % of investment products (investment funds, financial insurances, structured notes or deposits) with ESG characteristics/ concerns – Art.8 and 9; (6) Net renewables share of 100% by 2026 (group view), where available (Azores, Madeira, Group facilities and branches with no direct contract need to be addressed); (7) Assessment of the level of employee engagement carried through the Pulse survey (average % of employee engagement – group view); (8) Previously Sr Leadership (group view); (9) Calculated with annualized 2024 1stH data as compared to 2021; (10) For locations where service is available

Since the acquisition by Lone Star, novobanco has implemented several ESG initiatives



novobanco is well positioned to benefit from ESG opportunities and mitigate ESG risks



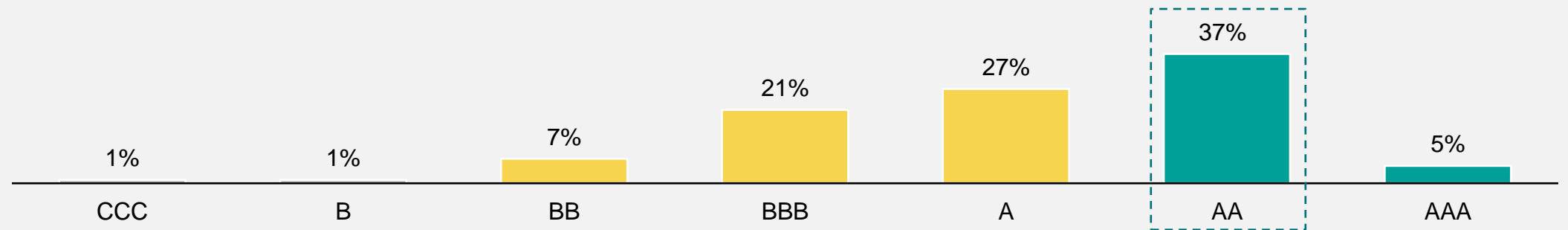
Rated 'AA' by MSCI, novobanco brings its ESG leadership to the forefront through active participation in industry-wide initiatives

novobanco is among the best rated in the MSCI ACWI banks index¹



ESG rating distribution

Universe: MSCI ACWI Index constituents, Banks, n=204



novobanco takes the lead in industry-wide cooperation initiatives



United Nations
Global Compact



ESG risk and opportunities are seamlessly integrated into novobanco's business model, reflecting a holistic approach to sustainability

ESG RISK ASSESSMENT IN CREDIT UNDERWRITING



- **Integration into credit risk assessment:** ESG scoring, segmentation models, and sectoral guidelines
- **ESG information collection during credit application:** Carbon emissions, energy efficiency, social impact, and governance
- **ESG covenants in loan agreements:** Requirements for carbon reduction, energy efficiency improvements, and social impact
- **Client engagement:** Guidance and support to help clients improve their ESG performance and meet sustainability goals
- **Transition finance:** Transition finance solutions for energy efficiency projects, renewable energy and social impact initiatives

GREEN AND TRANSITION FINANCING SOLUTIONS



- **Green Bonds and Loans:** Favourable pricing for projects that meet specific environmental criteria
- **Sustainability-Linked Loans:** Pricing benefits based on the borrower's achievement of predefined ESG performance targets
- **Green Mortgages:** Preferential rates for properties that meet high energy efficiency standards

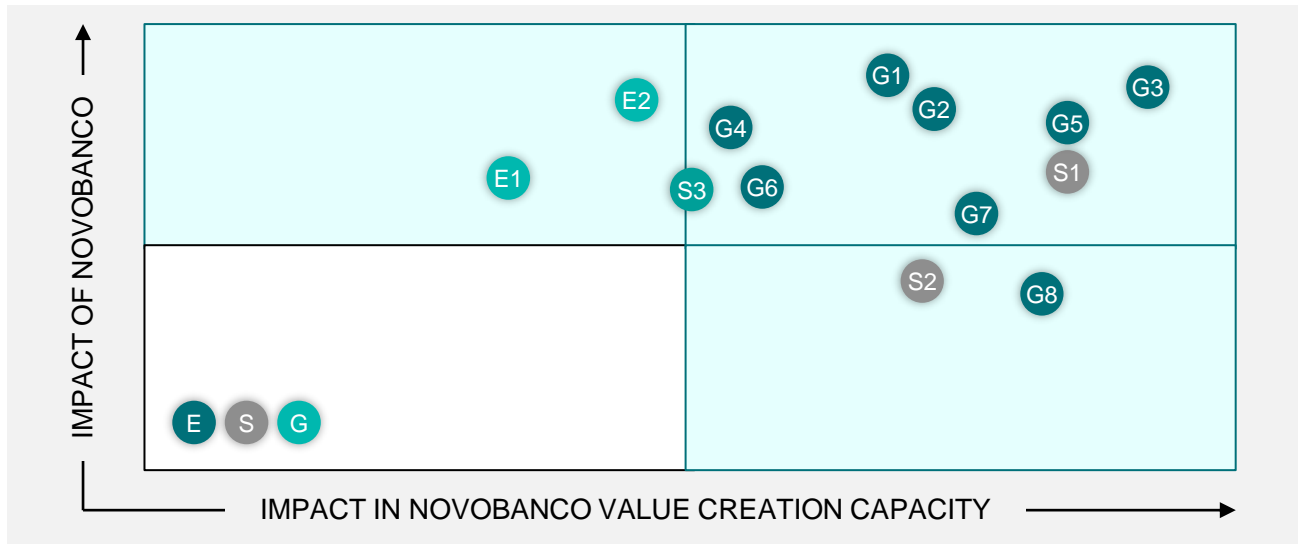
ALIGNMENT OF LOAN PORTFOLIO WITH PARIS AGREEMENT



- **Emission reduction targets:** Greenhouse gas emission reduction targets that are compatible with the Paris Agreement
- **Sectoral commitments:** SBTi aligned sectoral commitments applicable to exposures to large corporates and to medium and long-term financing or investments for the following sectors: electricity generation, cement manufacturing, commercial mortgages

novobanco has established an ESG risk taxonomy and conducted a dual materiality assessment

2023 Materiality Matrix



- G1** Cybersecurity, privacy and information protection
- G2** Ethics, conduct, transparency and compliance
- G3** Anti-corruption, bribery and money laundering
- G4** Corporate Governance
- G5** Risk management (including ESG)
- G6** Customer satisfaction and experience
- G7** Economic performance
- G8** Innovation, research and technology
- S1** Human Capital
- S2** Diversity, equity and inclusion
- S3** Respect for human rights
- E1** Sustainable products and services
- E2** Sustainable finance and investing

novobanco ESG Risk Taxonomy

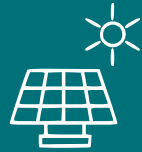
	Transition Risk	Challenges and impacts from shifting to a low-GHG economy
	Physical Risk	The physical manifestation of climate change: <ul style="list-style-type: none"> • Acute - climatic and meteorological events with immediate negative impacts • Chronic - gradual environmental changes causing ecosystem degradation
	Biodiversity	Health of natural systems, including climate, biodiversity loss & resource use
	Social Risk	Wellbeing, security and the evolution of society and the economy
	Governance	Effective management and control, addressing ESG challenges
	Greenwashing	Misalignment between stated and actual ESG goals

■ Climate and environmental risks
 ■ Other environmental risks
 ■ Other ESG risks

A comprehensive assessment fully integrated into novobanco's operational risk framework ensures ESG risk is appropriately assessed and mitigated

	MATERIALITY ¹	RISK FACTORS	MITIGATION LEVERS
Credit risk		<ul style="list-style-type: none"> Risks from GHG emissions, energy costs, and real estate vulnerabilities 	<ul style="list-style-type: none"> Insurance policies/collateral coverage Sectoral approaches and policies Sectoral diversification
Liquidity and funding risk		<ul style="list-style-type: none"> Risks related to counterparty stability, depositor locations, and sectoral exposure 	<ul style="list-style-type: none"> Limited exposure to financial counterparties (i.e., insurance) Geographical diversification of depositors
Interest rate risk on the banking book		<ul style="list-style-type: none"> Risks from interest rate changes 	<ul style="list-style-type: none"> Limited exposure to financial counterparties. Geographical diversification of depositors
Market risk		<ul style="list-style-type: none"> Risks from market fluctuations, credit exposures, and ESG instrument integrity 	<ul style="list-style-type: none"> Risk profile of issuer and counterparties. Limited exposure to ESG-labelled instruments
Operational risk		<ul style="list-style-type: none"> Risks from physical locations, supplier ESG profiles, and business continuity 	<ul style="list-style-type: none"> Business continuity planning and management framework Supplier/third party management model (ESG ratings)
Pension fund risk		<ul style="list-style-type: none"> Risks from market volatility, real estate performance, and ESG factors 	<ul style="list-style-type: none"> Risk profile of issuers and counterparties Limited exposure to ESG-labelled instruments Low weight of real estate assets
Strategy risk		<ul style="list-style-type: none"> Risks from income reliance on sectors facing high transition challenges 	<ul style="list-style-type: none"> Management controls and regular streamlining of business plans and budget New products and approach to clients (transition finance)

Transition and physical risk are a key focus area for novobanco's operational risk assessment



TRANSITION RISK

- novobanco assesses transition risks by evaluating the following for its portfolio:
 - Carbon intensity
 - Energy intensity
 - Green investment needs of its portfolio
- The bank monitors financed emissions, using Partnership for Carbon Accounting Financials (PCAF) methodology to estimate GHG emissions
- The transition score covers a total of 79 sectors across and considers the expected impact of upcoming carbon, energy and investment costs on a company's profit margin



PHYSICAL RISK

- novobanco conducts comprehensive assessments of physical risks, including climate-related and environmental factors, to ensure the resilience and sustainability of its assets
- In particular, the following risks are assessed at portfolio level:
 - Intensity and/or frequency of each climatic hazard in a specific location
 - Location of the client's headquarters
 - Susceptibility of a location and sectoral land use to the consequences of a climate hazard
 - Exposure change to three different climate scenarios for 2050 (NetZero 2050, Delayed Transition and Current Policies)



SECTORAL POLICIES

- novobanco has developed sectoral policies that include exclusions and minimum safeguards for financing and investment in certain sectors
- High-Risk Sectors
 - Energy and Utilities
 - Manufacturing and Industry
 - Agriculture and Forestry
- Sectoral policies addressing transition and physical risks enable novobanco to effectively manage and mitigate these challenges

At novobanco, we prioritize security, accessibility, and the empowerment of our clients through financial and digital literacy

Customer Satisfaction



- **Corporate banking:** 92.6% of medium-sized corporate clients and 87.1% of large corporate clients are very satisfied with novobanco's service¹
- **Retail clients:** 85.2% of novobanco's clients are very satisfied with the quality of the service provided²

Financial Inclusion



Savings	Description	Performance 2023
Planned saving	Permits to build up savings from as low as €10 through the subscription of a monthly plan	€91.4m 19,900 subscribing clients
Micro saving	Clients can round up of debits of day-to-day expenses, which are transferred to a saving account	€7.3m 39,000 subscribing clients
Targeted savings	Clients can define saving objectives the app traces the path to reach this objective	€33.0m 24,000 subscribing clients €286,000 186 clients

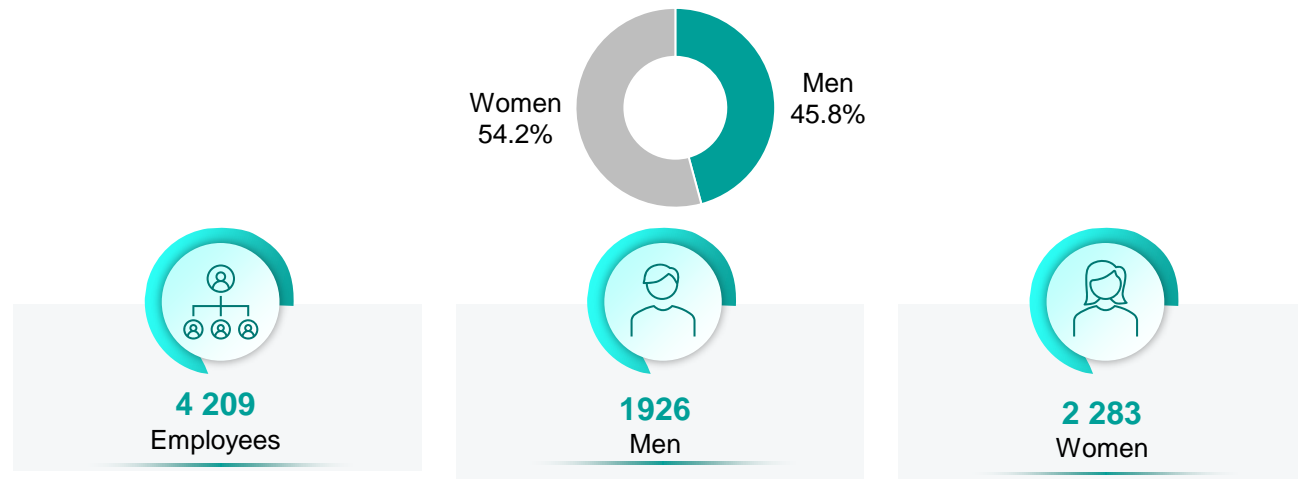
Digital Security



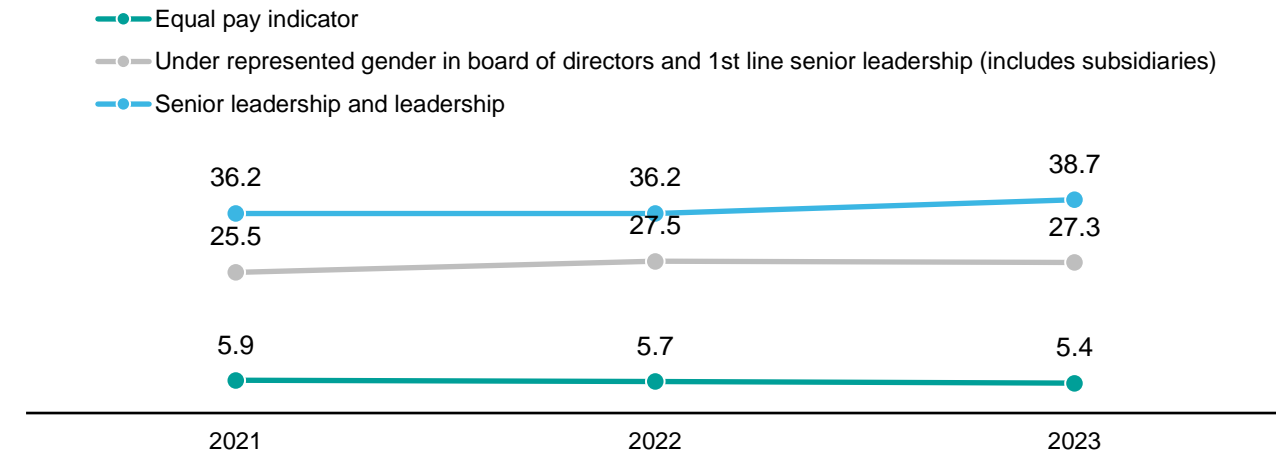
Monitoring	State-of-the-art Technology	Double Security and Disposable Codes
24 hours a day to monitor all transactions and identify suspicious activity	<ul style="list-style-type: none"> • SHA256RSA SSL technology to encrypt information/communications • Aligned with international security standards (ISO27000³, NIST CSF⁴, CIS Critical Security Controls⁵) 	Online banking and credit card transactions have exclusive guarantees to protect clients from fraud

Empowering employees and nurturing an inclusive, collaborative culture are central pillars of novobanco's ESG strategy

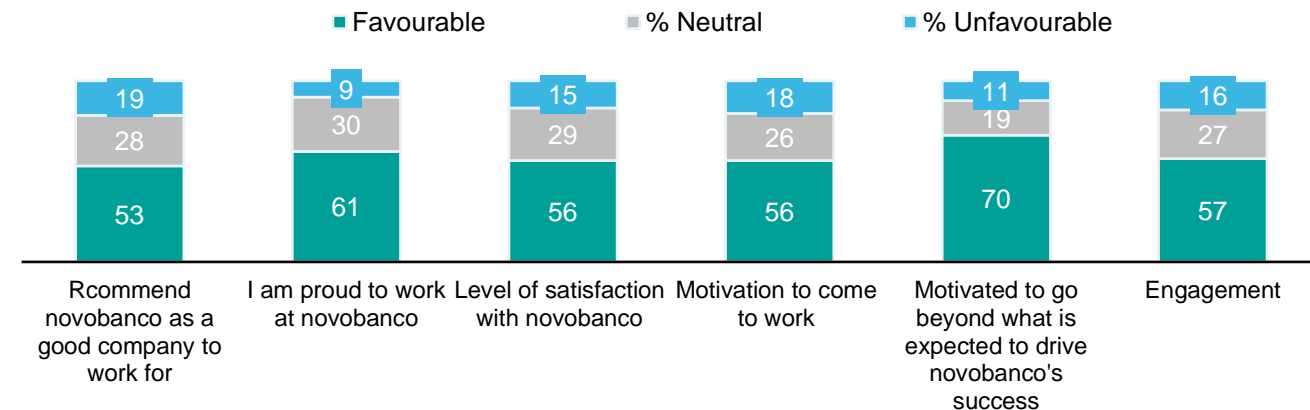
Employee Demographics¹



Under-represented Gender (%)



Results of the novobanco Employee Engagement Survey 2023



Broad and diverse employee trainings (2023)



novobanco has strong policies in place to address conduct risk and is well prepared for the upcoming EU sustainability reporting directives

POLICIES AND PROCEDURES IN PLACE TO ADDRESS BRIBERY, CORRUPTION AND POLITICAL RISKS



- **Business ethics policies:** Anti-bribery and corruption, conflicts of interests, whistleblowing, related-party transactions and code of conduct policies in place
- **Sustainability policies:** Sustainability policies, including the Green Financing and Investment Classification Policy
- **Equality and human rights:** Non-Discrimination and Gender Equality Policy and a Human Rights Policy in place

REGULATORY FRAMEWORK



- **Adherence to EU Regulations:** novobanco complies with the European Union's regulatory framework on ESG, including:
 - EU Taxonomy Regulation
 - Sustainable Finance Disclosure Regulation (SFDR)
 - Corporate Sustainability Reporting Directive (CSRD)

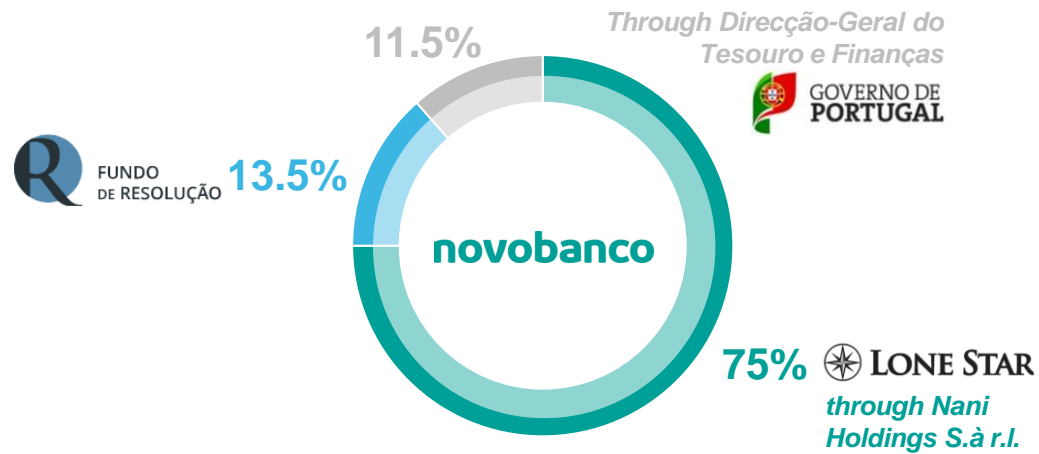
DATA COLLECTION AND DISCLOSURE



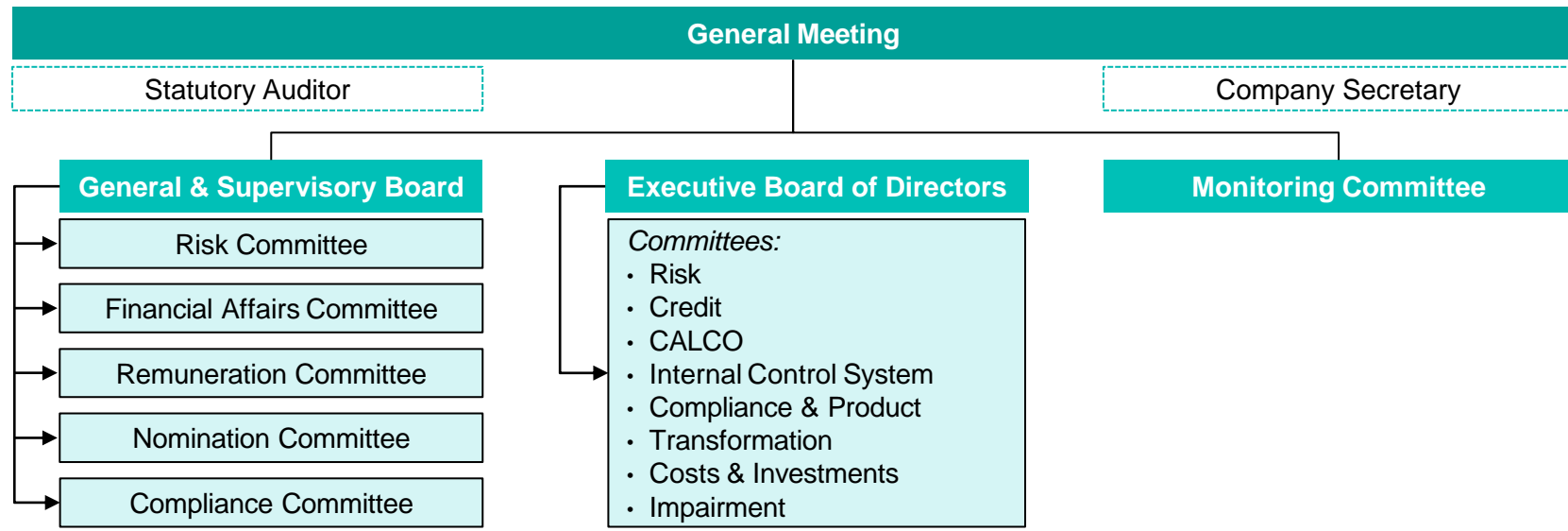
- **EU Taxonomy Alignment:** Disclosure in alignment with the European Taxonomy for sustainable activities
- **Voluntary Reporting Standards:** Sustainability performance reported in line with GRI¹, TCFD² as part of Annual Report.
- **Independent assurance:** Ernst & Young assures alignment with the GRI standards and regulatory requirements

A dual board governance structure with clearly defined ESG responsibilities ensures effective delivery of our ambitions and commitments

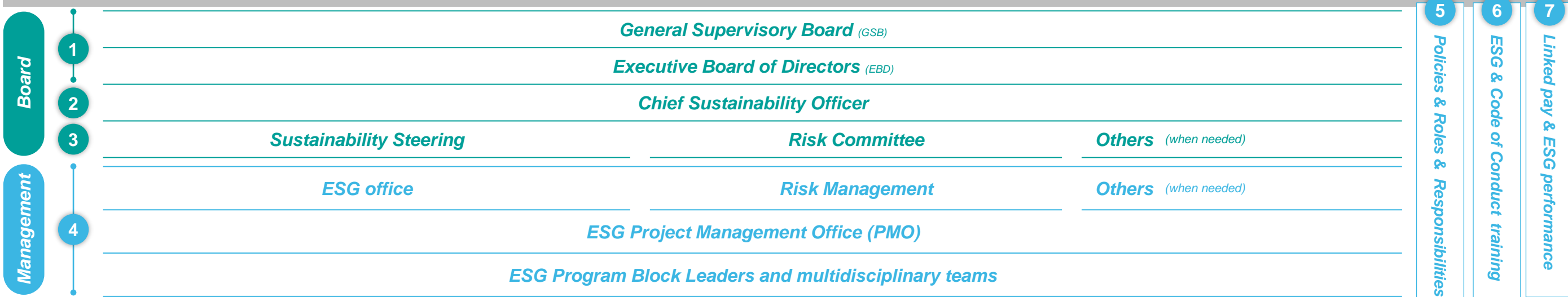
Shareholder Structure¹



Governance Structure



Sustainability Governance



Source: (1) Shareholding following the announcement on 4 June 2024 share capital increase resulting from the exercise of the 2020 DTAs conversion rights, as announced on 4th June 2024 –FdR temporarily holds 16.6% and the subsequent transfer of shares under the agreements entered into between the Resolution Fund and Lone Star in the context of the sale of 75% of the shares of novobanco, where only the Resolution Fund will have its shareholding diluted with the conversion of the conversion rights and Lone Star is to maintain 75% of the share capital of Novo Banco; Company information

novobanco

