

**Terms of Reference of the Risk Committee  
of the General and Supervisory Board of Novo Banco, S.A.**

(Date of last update: 30<sup>th</sup> of March 2023)

The Risk Committee and the General and Supervisory Board have approved the present Terms of Reference.

**§ 1**

**Composition**

- (1) The Risk Committee (the "**Committee**") consists of at least three members, each of whom (including the **Chairman**) is elected by the General and Supervisory Board from among its members.
- (2) The Committee should include a majority of members who are independent and be chaired by an independent member (the "**Chairman**"), as defined in the Articles of Association of Novo Banco, S.A. (the "**Bank**").
- (3) Members of the Risk Committee should have, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices.
- (4) Members of the Committee should have independence of mind, namely being capable of raising questions, having critical discussion, making their own sound, objective and independent decisions and judgments and, if so required, expressing dissenting views and challenging proposed decisions.

**§ 2**

**Functions**

- (1) The Committee shall have the functions set out in these Terms of Reference alongside with any others provided by the applicable law or regulation.
- (2) The Committee advises and supports the General and Supervisory Board in monitoring the overall actual and future risk appetite and risk strategy, overseeing senior management's implementation of the risk framework, as well as the effectiveness of the internal control and the risk management systems of the Bank, which will comprise the Bank and also, in accordance with the applicable law and regulations, any other financial entity within its scope of prudential consolidation. Therefore, the matters and competences foreseen herein shall be exercised considering the Bank and the above-mentioned entities, in accordance with the applicable law and regulations and without prejudice to the

responsibilities and competences of the relevant corporate bodies and committees of such entities.

- (3) The Committee is responsible for interacting with and overseeing the CRO (“Chief Risk Officer”).
- (4) In particular, the Committee has the following functions:
  - a) advise and support General and Supervisory Board regarding the monitoring of the institution’s overall actual and future risk strategy and risk appetite, taking into account all types of risks, to ensure that they are in line with the business, strategy, objectives, corporate culture and values of the institution;
  - b) assist the General and Supervisory Board in overseeing the implementation of the institution’s risk strategy and the corresponding limits set;
  - c) oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of an institution, such as market, credit, operational (including legal and IT risks), and reputational risks, in order to assess their adequacy against the approved risk strategy and risk appetite;
  - d) provide the General and Supervisory Board with recommendations on the necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the institution, market developments or recommendations made by the risk management function;
  - e) provide advice on the appointment of external consultants that the General and Supervisory Board may decide to engage for advice or support;
  - f) review a number of possible scenarios, including stressed scenarios, to assess how the institution’s risk profile would react to external and internal events;
  - g) oversee the alignment between all material financial products and services offered to clients and the business model and risk strategy of the institution. The Risk Committee should assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services and the Committee may submit to the Executive Board of Directors a corrective plan to be implemented in order

- to correct any deficiencies detected;
- h) assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken;
  - i) notwithstanding the functions of the Remuneration Committee, verifying whether the incentives established by the Bank's remuneration system, policies and practices take account of the risk, capital and liquidity structure of the Bank as well as the expectations, likelihood and the timing of earnings, in particular whether variable elements of remuneration may affect the Bank's risk profile and culture;
  - j) overseeing the reporting of the Executive Board of Directors regarding the current state of risk culture;
  - k) reviewing and prior consenting any proposals of the Executive Board of Directors aiming at the Bank granting any new credit transaction (or series of related credit transactions with the same or related borrowers) or an increase of an existing credit facility (or series of related credit facilities with the same or related borrowers) that fulfil the thresholds and conditions foreseen in § 8 (1) (h) (i) to (iv) of the General and Supervisory Board Terms of Reference;
  - l) monitoring, reviewing and, if applicable, making recommendations or approve, at least annually, the Bank's Risk Appetite Framework, the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment Process, key performance indicators and key risk indicators, including on provisioning and credit impairments, as well as any changes thereto;
  - m) monitoring compliance with credit and risk policies, reviewing such policies at least annually and providing any recommendations in relation to such activities to the Executive Board of Directors;
  - n) reviewing and prior consenting any proposals of the Executive Board of Directors concerning the approval of, or any material changes to, credit and risk policies as foreseen in § 8 (1) (a) of the General and Supervisory Board Terms of Reference;
  - o) reviewing and providing recommendations to the Executive Board of Directors in relation to any prospective material changes to the Bank's internal models, including material rating systems, with a view to controlling and ensuring the effectiveness of risk management;

- p) overseeing the Bank's public disclosures on risk and risk management;
  - q) acknowledge and assess proposals that involve significant risk taking, before being submitted to the General and Supervisory Board, including, transactions of a high value for the Bank, mergers, sales and acquisitions or the launching of new activities, products or services, in order to achieve a proper assessment of their impact on the global risk of the Bank;
  - r) approve the proposals of the Executive Board of Directors of further sums or acquisition or granting of additional exposures to be submitted to the Resolution Fund pursuant to Clause 6.5 of the Servicing Agreement entered into between the Bank and the Resolution Fund in connection with the Contingent Capital Agreement ("Servicing Agreement");
  - s) assess the proposals of further sums or acquisition or granting of additional exposures made by the Resolution Fund pursuant to Clause 6.6 of the Servicing Agreement;
  - t) reviewing and prior consenting any proposals of the Executive Board of Directors aiming at the Bank granting any new credit transaction (or series of related credit transactions with the same or related borrowers) or an increase of an existing credit facility (or series of related credit facilities with the same or related borrowers) that fulfil the thresholds and conditions foreseen in § 8 (1) (h) (v) of the Terms of Reference for the General and Supervisory Board;
  - u) approve the proposals of the Executive Board of Directors of exclusion to the Contingent Capital Agreement ("CCA") under which certain CCA assets would cease to qualify as such for the purpose of the CCA;
  - v) discuss and analyze, once a year, the execution of the Servicing Agreement and the information reported provided in connection with its performance; and
  - w) overseeing any other risk matters the Committee deems relevant, or the General and Supervisory Board assigns to the Committee on an ad hoc basis, for the assessment and oversight of the risk situation of Novo Banco Group and making any recommendations to the Executive Board of Directors that it deems appropriate on such matters.
- (5) In case the Executive Board of Directors decides, within its competence, not to

follow or implement a recommendation made by the Committee, in the exercise of the Committee's monitoring and review functions, in relation to the matters referred above, it shall forthwith inform the Committee accordingly and provide it with the grounds for not following such recommendations.

- (6) The Committee, the Remuneration Committee, the Compliance Committee, the Nomination Committee and the Financial Affairs (Audit) Committee coordinate their activities and work together regularly and – if required – on an ad hoc basis, to ensure the necessary exchange of information to capture and assess all relevant risks for the performance of their tasks.
- (7) In performing its tasks, the Committee may draw on all resources which it deems appropriate and may appoint and engage external advisors for advice or support on risk related matters.

### **§ 3**

#### **Meeting procedures**

- (1) The Committee shall approve an annual calendar of meetings, which shall provide for at least monthly meetings and an annual work program.
- (2) The Committee shall meet as additional times as necessary, being called upon by a resolution adopted by the Committee itself or by the Chair thereof.
- (3) The relevant documentation for each meeting (draft agenda, presentations, reports, past meeting minutes and other supporting documentation) shall be provided to the Committee members, at least 2 (two) business days in advance of the meeting date, unless such deadline cannot be met due to reasons of urgency, duly approved by the Chairman, in which case the information shall be delivered to the directors as promptly as possible.

### **§4**

#### **Meetings and voting**

- (1) Meetings of the Committee are convened by its Chairman or – if he/she is unavailable – by the Chairman of the General and Supervisory Board, with an advance notice period of at least 14 (fourteen) days.
- (2) Unless otherwise expressly stipulated herein or in applicable law, the provisions in the Articles of Association and the Terms of Reference pertaining to the General and Supervisory Board shall apply accordingly to the Committee.
- (3) The Committee is quorate if at least three of its members participate in the

meetings.

- (4) In case of a tie vote, the Chairman has a casting vote.

## **§ 5**

### **Participation in meetings**

- (1) The Chairman of the Executive Board of Directors and the Chief Risk Officer shall attend the meetings of the Committee.
- (2) The Chairman may allow other persons to attend the meetings of the Committee.

## **§ 6**

### **Right to information**

- (1) The Committee shall:
  - a) have access to all relevant information and data necessary to perform its role, including information and data from relevant corporate and control functions (e.g. legal, finance, human resources, IT, internal audit, risk, compliance, including information on AML/CTF compliance and aggregated information on suspicious transaction reports, and ML/TF risk factors);
  - b) receive regular reports, ad hoc information, communications and opinions from heads of internal control functions concerning the current risk profile of the institution, its risk culture and its risk limits, as well as on any material breaches, that may have occurred, with detailed information on and recommendations for corrective measures taken, to be taken or suggested to address them; periodically review and decide on the content, format and frequency of the information on risk to be reported to them; and
  - c) where necessary, ensure the proper involvement of the internal control functions and other relevant functions (human resources, legal, finance) within their respective areas of expertise and/or seek external expert advice.
- (2) The Committee has also the right to receive reports from the Executive Board of Directors that appropriately allow the Committee to monitor whether the conditions in the customer business comply with the business model and risk structure of the Bank. To the extent such conditions do not so comply, the Committee requests proposals from the Executive Board of Directors on how

compliance with this requirement can be achieved and monitors the implementation of any measures implemented.

- (3) The Committee determines the nature, scope, format and frequency of the information which the Executive Board of Directors is required to submit in relation to strategy and risks. This will include access to all relevant information and data necessary to perform their role.

## **§ 7**

### **Representation**

The Chairman or, if he/she is unavailable, the Chairman of the General and Supervisory Board, acts on behalf of the Committee.

## **§ 8**

### **Reporting to the General and Supervisory Board**

- (1) The Chairman reports regularly to the General and Supervisory Board on the activities and resolutions of the Committee and provide it with any appropriate information requested by such Board. In any case, it will immediately report to the General and Supervisory Board any important and / or urgent matter.
- (2) The Chairman informs the General and Supervisory Board no later than at the next meeting about any information essential to the General and Supervisory Board in relation to any risk matters communicated by the Executive Board of Directors to the Committee. Each General and Supervisory Board member is authorized to review the reports transmitted to the Committee.

## **§ 9**

### **Final provisions**

- (1) The matters that are not regulated in the current Terms of Reference are governed by the general provisions foreseen in the General and Supervisory Board's Terms of Reference, as applicable.
- (2) A Portuguese version of these Terms of Reference will be prepared. In the event of any discrepancy between the English and Portuguese versions, the English version shall prevail.
- (3) These Terms of Reference shall be revisited on an yearly basis. Every two years, a formal review process of these Terms of Reference shall be carried out. This formal review process shall be concluded by a resolution of the General and

Supervisory Board and of the Committee approving the relevant amendments to the Terms of Reference or concluding that no amendments are required.

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