



**REMUNERATION POLICY FOR STAFF MEMBERS OF  
NOVOBANCO**

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## 1 Legal and Regulatory Framework

This Remuneration Policy contains the principles and rules for the remuneration of Employees of Novo Banco, S.A. ("novobanco" or "Bank") and is established pursuant to Article 115-C of the Legal Framework of Credit Institutions and Financial Companies ("*Regime Geral das Instituições de Crédito e Sociedades Financeiras*").

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

- Legal Framework of Credit Institutions and Financial Companies ("RGICSF");
- EBA/GL/202104 - Guidelines on sound Remuneration Policies under Directive 2013/36/EU;
- EBA/GL/2021/05 - Guidelines on Internal Governance;
- Directive 2013/36/EU of the European Parliament and of the Council;
- Commission Delegated Regulation (EU) No. 2021/923;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council;
- Bank of Portugal Notice No. 3/2020;
- Bank of Portugal Instruction No. 18/2020;
- Portuguese Companies Code ("Código das Sociedades Comerciais");
- Directive 2014/65/EU (MIFID II) of the European Parliament and of the Council on markets in financial instruments, its Regulations and transposition by Law No. 35/2018;;
- EBA/GL/2016/06 - Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services;
- Directive 2014/17/EU of the European Parliament and its transposition by Decree-Law No. 74-A/2017;
- Report on risk of conduct and mis-selling of investment products by the National Council of Financial Supervisors of 3 March 2016;
- Decree-Law 91/2018, of 12 November, transposition into Portuguese law of the Payment Services Directive (Directive 2015/2366/EU);
- Law 7/2019, of 16 January, on insurance distribution, transposing into Portuguese law the respective European Directive (2016/97/EU);
- Regulation (EU) No. 2019/2088 of 27 November 2019 on disclosure of sustainability-related information in the financial services sector;
- List of significant supervised entities and list of less significant institutions of the European Central Bank.

Remuneration related regulations and legislation establish the adoption and enforcement of remuneration practices consistent with prudent, sound and effective risk management that does not constitute an incentive to take excessive risks or promote situations that generate conflicts of interest.

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

- i) long-term objectives, strategy and interests;
- ii) corporate nature and structure;

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

In addition, this Remuneration Policy and its implementation shall respect and encourage the ethical and professional conduct from all Members and reflect the principles of equal treatment between clients, application of the best remuneration practices on the sale of products, and prevention of conflicts of interest.

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

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

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

This policy takes into account the institution's strategy, its nature, structure, culture and values, and has been developed based on the guiding principles of merit and transparency, ensuring the recognition of high performance, as well as establishing communication of rules and criteria for applying remuneration practices.

In this context, novobanco aims to attract and retain Employees who can contribute in a positive way to the achievement of the Bank's objectives, always from a perspective of sustainable development, aligned with its risk appetite and with the intervention of all stakeholders. The Policy is consistent with the level of risk the Bank is willing to assume is in line with the internal capital adequacy assessment process (ICAAP), and its risk appetite framework.

Novobanco will ensure that its Branches and Subsidiaries adopt the guidelines and rules set out in this Remuneration Policy, with the approval of the respective competent Corporate Bodies, as applicable and subject to the legal requirements applicable to each of these entities.

Novobanco and its Branches and Subsidiaries will coordinate, through the Remuneration Committee and the Human Capital Department, the adoption of this Remuneration Policy.

The Remuneration Policy for Members of novobanco's Management and Supervisory Bodies (the Executive Board of Directors and the General and Supervisory Board, respectively) consists of an autonomous document, ensuring, however, full consistency with the principles and practices of this Remuneration Policy.

## 2 Scope

The Remuneration Policy is applicable to all Employees with an employment contract with novobanco, organised into three categories:

1. Identified Staff (detailed in Section 4 of the Policy):
2. Employees assigned to business structures:
  - i. **Retail:** "Diretor Regional Retalho", "Diretor NB360 Singular", "Diretor de Balcão", "Gerente", "Subgerente", "Consultor NB360", "Consultor de Negócios", "Consultor de Parcerias", "Consultor de Retalho", "Gestor de Risco", "Gestor Cliente Negócios Sênior", "Gestor Cliente Negócios", "Gestor Cliente NB360 Singular", "Gestor Cliente NB360 Sênior", "Gestor Cliente NB360", "Assistente Singular", "Assistente de Clientes Sênior", "Assistente Clientes" e "Apoio Comercial";
  - ii. **SMEs:** "Diretor Centro Empresas", "Gestor Cliente Empresas Sênior", "Gestor Cliente Empresas", e "Assistente Comercial";
  - iii. **Corporate:** "Diretor Comercial", "Gestor Cliente Empresas Sênior", "Gestor Cliente Empresas" e "Assistente Comercial";
  - iv. **Monitoring:** "Diretor Centro Empresas", "Gestor Cliente Empresas Sênior", "Gestor Cliente Empresas" e "Assistente Comercial".
3. All remaining Employees of novobanco.

### 3 Remuneration Policy Governance Model

#### 3.1 Executive Board of Directors

According to the legal framework and the Articles of Association, the Executive Board of Directors is responsible for:

- Approving the Remuneration Policy, as proposed by the Remuneration Committee, as well as any amendments thereto;
- Ensuring the implementation of this Remuneration Policy;
- Adopting decisions on remuneration of employees (e.g., award criteria/rules, amounts);
- Monitoring whether the Remuneration Policy is being correctly applied and is in line with the applicable legal framework, corporate governance and risk profile of the Bank;
- Defining the KPIs for the Identified Staff annually;
- Monitoring if the limitations indicated in section 5.1. are not being breached;
- Deciding which Employees are to be classified as Identified Staff, based on the criteria established in section 4 of this Policy and deciding on possible exclusions or updates;
- Reviewing the list of Identified Staff, at least annually, and ensuring that this list is submitted to the Bank of Portugal;
- For the Identified Staff, assessing compliance with performance objectives and, in conjunction with the Remuneration Committee, assessing the need for ex post risk adjustments, including the application of reduction (malus) and reversal (clawback) mechanisms, if applicable;
- Monitoring the Bank's employee performance appraisal process, namely whether the process is properly documented, transparent and communicated to the employees concerned by the end of the first quarter of the year to which the appraisal refers.

#### 3.2 General and Supervisory Board

After approval by the Executive Board of Directors, following a recommendation by the Remuneration Committee, the General and Supervisory Board approves, by ratification, this Remuneration Policy and its subsequent amendments.

#### 3.3 Remuneration Committee

The Remuneration Committee of the General and Supervisory Board of novobanco was established by resolution of the General and Supervisory Board of 18 October 2017 and pursuant to Article 6(3)(c) of the Articles of Association. Since novobanco is considered a significant institution, the existence of this committee is mandatory under the terms of Article 115(H) of the RGICSF.

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

The Remuneration Committee must observe the long-term interests of shareholders, investors and other stakeholders.

The responsibilities of the Remuneration Committee are set out in the respective Rules of Procedure approved by the General and Supervisory Board, which extend to the group's financial companies, and include the following:

- Providing support and advice to the Executive Board of Directors on the development of the institution's remuneration policies, the monitoring of remuneration processes, policies and practices, and the monitoring of compliance with remuneration policies;
- Overseeing the remuneration of the internal control functions (Compliance, Risk and Audit);
- Coordinating the appropriate involvement of the relevant internal structures and departments (e.g. human capital, legal, compliance and risk) within their respective areas of expertise and, where necessary, obtain external advice;
- Reviewing and confirming the list of Identified Staff approved by the Executive Board of Directors;
- Defining the Variable Remuneration Budget for Employees;
- Determine the value of the Remuneration Units on an annual basis, taking into consideration the overall performance of the novobanco Group and other criteria;
- Being responsible for reviewing and agreeing to remuneration decisions of the Executive Board of Directors regarding the remuneration of Identified Staff as defined in section 4.1;
- Assessing whether the existing remuneration policies are up-to-date and standardised across the novobanco group, proposing appropriate amendments, and coordinating and issuing the legally required annual remuneration reports;
- Preparing an annual report on the evaluation of this Policy for submission to the General Shareholders' Meeting and to the Executive Board of Directors, resorting if necessary to the support of the Internal Control Functions or other internal functions or resorting to external support/hiring services.
- Assessing the mechanisms and systems adopted to ensure that the remuneration schemes take due account of all types of risks, as well as liquidity and own funds levels, and that the overall Remuneration Policy is consistent with and promotes sound and effective risk management and is in line with the institution's corporate strategy, objectives, culture, business values and long-term interests;
- Analysing a range of possible scenarios to test how remuneration policies and practices react to external and internal events, as well as the criteria used to determine remuneration allocation and ex ante risk adjustment mechanisms based on actual risk outcomes;
- Ensuring the appropriateness of the information provided to shareholders on remuneration policies and practices, specifically on the higher ratio between variable and fixed remuneration;
- Collaborate with other committees whose activities may have an impact on the development and proper functioning of remuneration policies and practices;
- Monitoring information related to the distribution to clients of financial products, mortgage products, payment services and insurance, as well as considering this information in the preparation of decisions related to the remuneration of employees;



- Monitoring the implementation of the Policy.

### **3.4 Risk Committee of the General and Supervisory Board**

The Risk Committee provides all the support requested by the Remuneration Committee in the performance of its duties, and shall, in particular:

- Examine whether the incentives provided by remuneration policies and practices take into account the institution's risk, own capital and liquidity, as well as the likelihood and time schedule of earnings;
- Participate in assessing how the Variable Remuneration structure affects the risk profile and culture of the institution;
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.5 Global Risk Department**

The Global Risk Department, as a Risk control function, collaborates with the Remuneration Committee in the performance of its duties, namely:

- Assist in the preparation and review of the Remuneration Policy;
- Provide concrete elements, within the scope of its duties, for the definition of global variable remuneration, performance criteria (collective) and required assessments for the annual aggregate remuneration awards and payments;
- Verify that the allocation and payment of any Variable Remuneration component of Employees is consistent with the Policy and with sound and effective risk management practices;
- Assist in the definition of appropriate risk-adjusted performance measures (including ex post adjustments) and provide appropriate information to that effect;
- Participate in assessing how the Variable Remuneration structure affects the risk profile and culture of the institution;
- Collaborate with the Human Resources Department in the definition of the criteria for selecting the Identified Staff;
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.6 Compliance Department**

The Compliance Department shall provide all the support requested by the Remuneration Committee in the performance of its duties, namely:

- Assist in the preparation and review of the Remuneration Policy;
- Provide information, within the scope of its duties, for the definition of global variable remuneration, performance criteria (individual and collective), and the allocation and payment of remunerations;
- Propose and monitor the implementation of compliance indicators used in the eligibility of variable remuneration or incentives.

- Review and monitor the implementation and compliance of the Remuneration Policy with the laws, regulations and internal policies of the institution, such as mandatory regulatory reporting, and report any compliance risks and non-compliance situations with respect to remuneration matters (that are identified or reported to it) to the Executive Board of Directors or the General and Supervisory Board;
- Participate in assessing how the Variable Remuneration structure affects the risk profile and culture of the institution;
- Monitoring information related to the distribution to clients of financial products, mortgage products, payment services and insurance, as well as considering this information in the preparation of decisions related to the variable remuneration models of Staff Members;
- Inform the Compliance Committee and/or the Executive Board of Directors regarding of any situation of conflict of interest that, within the scope of the application of this Policy, that may be relevant in the correct perform of its tasks and responsibilities affected to the recipients of this Policy, as defined in scope, and that should affect the performance of its duties;
- Issue an annual assessment of how incentives and objectives comply with current laws and regulations, particularly in terms of preventing conflicts of interest and mis-selling practices.
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.7 Human Capital Department**

The Human Capital Department shall provide all the support requested by the Remuneration Committee in the performance of its duties, namely:

- Assist in the preparation, review and implementation of the Remuneration Policy;
- Participate in the preparation and assessment of the institution's Remuneration Policy, particularly with regard to the remuneration structure, remuneration levels and incentive schemes;
- Provide effective elements, within the scope of its attributions, for the definition of performance criteria (individual and collective) and the attribution and payment of remunerations;
- Prepare and submit remuneration proposals (e.g. variable remuneration model, fixed remuneration proposals) for approval by the Executive Board of Directors;
- Coordinate and review, on an annual basis, the variable remuneration model (e.g.: definition of the weighting of corporate / departmental / individual indicators, payment scales and reference amounts per function), obtaining the necessary information from the other departments, namely from the Internal Control Functions;
- Ensure the implementation of decisions on remuneration matters, namely as regards the attribution and payment of fixed and variable remuneration components;
- Submit the list of Identified Staff and any changes thereto to the Executive Board of Directors for approval, and ensure that this list is reported to the Bank of Portugal;
- Submit to the Executive Board of Directors any proposal to apply the risk adjustment

mechanisms for Identified Staff or Employees in General;

- Ensure adequate internal and external disclosure of the Remuneration Policy;
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.8 Internal Audit Department**

The Internal Audit Department shall provide all the support requested by the Remuneration Committee in the performance of its duties, namely:

- Conduct an independent review of the structure, application and effects of the institution's Remuneration Policy on its risk profile, as well as how these effects are managed;
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.9 Legal Department**

The Legal Department shall provide all the support requested by the Remuneration Committee in the performance of its duties, in particular:

- Assist in the preparation and review of the Remuneration Policy;
- Attend any meetings of the Remuneration Committee at the request of the Chairman of the Remuneration Committee.

### **3.10 Approval and amendments**

The Policy for Employees of novobanco and any amendments thereto will be approved by the Executive Board of Directors following a proposal by the Remuneration Committee and subject to subsequent ratification by the General and Supervisory Board.

## 4 Classification of Identified Staff

The Executive Board of Directors is responsible for identifying, reviewing and approving all Identified Staff List, which necessarily includes those defined in the applicable legislation, including those whose professional activities have a significant impact on the Bank's risk profile. The Executive Board of Directors carries out an annual self-assessment in order to identify employees whose professional activities have a material impact on the institution's risk profile.

Pursuant to Articles 5 and 6 of Delegated Regulation (EU) No. 2021/923 of the European Commission, appropriate qualitative and quantitative criteria will be adopted and used to identify the categories of Staff whose professional activities have a significant impact on the institution's risk.

In addition to the provisions of the Remuneration Policy, novobanco may define additional selection criteria that reflect the risk levels of the different activities in the institution and the impact of Employees on the risk profile.

### 4.1 Mapping of Identified Staff

The definition of the mapping criteria for the Identified Staff is carried out by the Human Capital Department, with the active involvement of the Remuneration Committee and the Global Risk Department.

The Human Capital Department is responsible for preparing the list of Identified Staff which is subsequently discussed and approved by the Executive Board of Directors and reviewed and confirmed by the Remuneration Committee.

The Identified Staff of novobanco are the following:

- **Top Managers:** All Staff Members whose professional activities have a material impact on the Bank's risk profile, pursuant to Articles 5 and 6 of Delegated Regulation (EU) No. 2021/923 of the European Commission, and are Coordinating Officers (*"Diretores Coordenadores"*) or Management Officers (*"Diretores"*) who are primarily responsible for any Department or area of the Bank;
- **Internal Control Functions: Directors Responsible by Control Functions in the Bank** (Compliance, Internal Audit, and Risk);
- **Other Employees** (other than Top Management):
  - Whose activity has a material impact on the Bank's risk profile;
  - Who is included in the following categories:
    - Whose total remuneration exceeds, in absolute terms, EUR 500,000 per year;
    - Who were awarded in the previous financial year total remuneration equal to or greater than the lowest total remuneration paid to any Employee identified by the above criteria; or
    - Included in the 0.3% of employees with the highest total remuneration in the institution;
    - In all cases, provided they have a material impact on the Bank's risk profile.

The Human Capital Department shall prepare a list of proposed Identified Staff in accordance with the categories indicated above, which shall be submitted to the Executive Board of Directors for approval and reviewed and confirmed by the Remuneration Committee thereafter. For the purposes of this Remuneration Policy, only Employees included in this list shall be deemed to be Identified Staff.

This list should be reviewed on an annual basis by the Human Capital Department and communicated to the Executive Board of Directors for evaluation. Any changes will be subject to the procedure described above.

Notwithstanding, the Human Capital Department should propose its immediate update whenever there are changes regarding the people who occupy these positions or if there are any material changes in the organisation of the Bank's departments, also following, in these cases, the procedure indicated above.

The Human Capital Department will communicate to each person on the nominative list of Identified Staff their Identified status for the purposes of this Remuneration Policy, providing all necessary information and clarifications regarding this status.

## 5 Remuneration Components

The Total Remuneration results from the combination of the Fixed and Variable Remuneration components.

This chapter describes the structure and criteria considered for the attribution of the different remuneration components.

### 5.1 Limitations to remuneration

The state aid measures taken by Portugal in the context of the sale of novobanco were considered compatible with the internal market under the Treaty on the Functioning of the European Union and, as a result, certain commitments were made by the Portuguese State to the European Commission (State Aid No. SA.49275 (2017/N)) until the end of the Restructuring Period ("Restructuring Period").

This situation implies, however, the following limitations on the remuneration of Employees and members of the Management and Supervisory Bodies of novobanco (as indicated in the Remuneration Policy for the Management and Supervisory Bodies):

- a) In accordance with the above commitments, the Bank will apply strict remuneration policies and will not pay any Employee, director or manager a total annual remuneration (salary, pension contribution, bonus) in excess of 10 times the average salary of novobanco's Employees until 30 June 2020. In the period between 30 June 2020 and the end of the Restructuring Period, annual remuneration payments above these limits may be made if the Bank does not breach any of the targets specified in the viability commitments. For the avoidance of doubt, the Bank may in any event pay deferred bonuses to its Employees for performance during the Restructuring Period after the end of the Restructuring Period;
- b) Until the end of the Restructuring Period, the total remuneration and the respective conditions set out in this Policy may be affected if the commitments are not achieved, in full or in part, and this Remuneration Policy is therefore subject to any limitations that may result from them and are applicable at each moment;
- c) The attribution of variable remuneration to Employees must never jeopardise the maintenance of a sound base of own funds and the timely cessation of extraordinary public financial support to novobanco.

If at any time the amount of total annual remuneration of any Employee, director or manager exceeds the limit set out in paragraph a) above, the portion of the total annual remuneration exceeding that limit shall not be paid during the Restructuring Period and shall be deferred and paid only after the end of that period, such deferred portion being subject to the risk adjustment mechanisms identified in section 5.4.

### 5.2 Fixed Remuneration

The Fixed Remuneration is paid to all employees of novobanco with an employment contract and comprises all amounts received on a regular and periodic basis in exchange for work performed. The Fixed Remuneration component should reflect the relevant professional experience and organisational responsibility established in the description of the duties of the Employee as part of the employment conditions, and is therefore guaranteed. The remuneration of independent control functions should reflect

the nature of their responsibilities in its fixed vs. variable ratio, ensuring the no connection to business objectives, under the terms of applicable legislation.

The amount of fixed remuneration should be sufficient to ensure that in any particular year, no variable remuneration award would be possible.

The Fixed Remuneration may consist of several components, which must comply with a set of conditions, notably:

- a) Reflect in a non-discretionary manner the level of professional experience and seniority of Employees;
- b) Be transparent about the individual amount awarded to the Employee;
- c) Be permanent, i.e., being maintained for the period of time associated with the specific job and organisational responsibilities;
- d) May not be reduced, suspended, or cancelled by the Bank unless such reduction, suspension, or cancellation is permitted by law;
- e) May not provide incentives that lead to excessive risk-taking;
- f) May not depend on performance;
- g) May not be unilaterally revoked by the Bank.

The table below describes the several components that comprise novobanco's Fixed Remuneration. Without prejudice, the Executive Board of Directors may decide to grant new fixed instalments, provided that the rules and principles set out in the Collective Bargaining Agreements entered into by novobanco ("Collective Bargaining Agreement entered into between several credit institutions and the Federation of Independent Banking Unions" and "Collective Labor Agreement entered into between several credit institutions and the Financial Sector Federation", both published in the Bulletin of Labor and Employment, 29, of 8 August 2016 - "ACT") are complied with.

**Table II - Fixed Remuneration Components.**

Categories	Frequency	Description
Base Salary	14 months	Amount paid to Employees corresponding to the activity performed according to the normal working period that has been defined in the employment contract and/or in the ACT.
Seniority Payments ("Diuturnidades")	14 months	Remuneration amount to which the employee is entitled on the basis of his/her seniority.
Additional Salary	14 months	Additional amount corresponding to the activity performed according to the normal work period.

Exemption from working hours remuneration (" <i>IHT</i> ")	14 months	Amount paid to Employees who are available to, as a rule, work beyond normal working hours (as stipulated in the Labor Code and the ACT).
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In addition, in compliance with the provisions of the law and the ACT, novobanco attributes other benefits or amounts to its Employees, namely:

- a) Meal allowance;
- b) Remuneration for overtime work;
- c) Subsidy for any cash shortages;
- d) Function allowance;
- e) Displacement allowance;
- f) Reimbursement of expenses and other allowances due to travel, transport, settling in and other equivalent;
- g) Children's and study allowances.

### 5.3 Variable Remuneration

Variable Remuneration is considered to be any remuneration that is not fixed.

As a Significant Financial Institution, novobanco is obliged to comply with a number of specific requirements that have to be considered in the award of Variable Remuneration.

Variable Remuneration is freely decided by the Bank, is not contractually guaranteed (as such, the award, vesting and payment of any variable remuneration or portion thereof cannot be expected to be certain or guaranteed) and may be subject to adjustments pursuant to the mechanisms set forth in section 5.4 (Risk Adjustment Mechanisms).

When Variable Remuneration is awarded to novobanco Employees it is decided on a freely and discretionary basis, is dependent on verification of the criteria laid down in this Policy and is based on criteria freely established by the Bank, namely through the combination of various performance indicators for each Employee, the respective Department and novobanco, taking into account quantitative and qualitative criteria assessed through Objectives and Skills defined by the Bank. Exceptionally, and provided that the Bank has a sound base of own funds at a given time, variable remuneration in the form of a "sign-on" or a welcome bonus may be awarded and fully paid only once to an employee, during the first year after his/her admission to the Bank, in accordance with applicable law and remuneration guidelines and policies. In this case, the amount of the sign-on or welcome bonus is included as part of the total annual remuneration for the purposes of complying with the Limitations of Remuneration commitment identified in section 5.1. paragraph a) and as such, should such total annual remuneration exceed the limit set out in that paragraph, the excess shall not be paid during the Restructuring Period and shall be deferred and paid only at the end of that period, subject to the risk adjustment mechanisms identified in section 5.4.

There are three types of Variable Remuneration for Employees:

- a. **Bonus:** to be awarded freely and upon verification of certain conditions defined in this Policy and based on minimum criteria of merit and individual and collective performance for each year;



- b. **Commercial Incentives:** these correspond to quarterly payments that aim to compensate the best commercial performances, provided that the monitoring of mis-selling practices and other qualitative indicators of the activity is ensured;
- c. **Commercial Campaigns:** correspond to the award of Extraordinary Prizes (in cash or in kind) with no predefined periodicity or format. Campaigns and their Prizes are considered and evaluated in accordance with the internal rules that apply to the creation, approval, distribution and monitoring of Products and are intended to stimulate a specific Product (safeguarding the adequacy to the customer's reality), Family of Products, or a segment of the Bank's commercial offer for a limited period of time, within the limits and conditions permitted by law for monetary and non-monetary incentives.
- d. **Retention plan:** variable remuneration retention bonus reflected in cash and Remuneration Units payments which is aimed exclusively at eligible key employees and whose benefits will be paid if the permanence requirements are met, as defined in the relevant Regulation.

Other commercial incentives or bonuses for specific categories of Employees in special circumstances not provided for in this Policy (including incentives that may be agreed by the Bank with third parties) may be granted under terms and conditions to be defined and communicated to the Employees concerned, provided that provided that the prevention of possible conflicts of interest is ensured and the principles set out in this Policy and applicable law are complied with.

In addition, the variable remuneration of Employees who:

- a. may have an impact on the service provided to customers or on the business conduct of novobanco, namely: (i) customer service personnel, sales teams or other personnel directly involved in providing investment or ancillary services; (ii) persons involved in complaint handling or product design and development;
- b. involved in the preparation, marketing, and concession of consumer credit agreements;
- c. involved in the preparation, marketing or offer of deposits or payment services;
- d. involved in the sale and marketing of insurance products;
- e. all Employees who directly and indirectly supervise the teams in all the aforementioned activities;

They shall comply with the following principles:

- a) The assessment of the underlying performance should take into account not only quantitative criteria, but also qualitative criteria associated with the employee's compliance with the rules in force in the relationship with clients, in particular with regard to information duties, the duty to prevent conflicts of interest, and record-keeping and document-keeping duties. In addition, the quantitative criteria shall comply with all applicable regulations;
- b) The qualitative criteria cannot be compensated by exceeding financial performance evaluation criteria, and if qualitative and compliance criteria are insufficiently met, they may be reason for non-payment;

- c) Remuneration shall be structured in such a way as to avoid any conflict between the interests of the employee and the client, and so as not to encourage the employee to act in his or her own or a third party's interests rather than in favour of the client;
- d) Remuneration cannot be awarded if it is based on the distribution of financial products to non-professional clients, when the employee can propose a different financial product that best meets the needs of that client;
- e) Remuneration cannot be awarded if it is based on the distribution of a single product or packages of financial products to non-professional clients, when any of them are not suitable for the needs of that client;
- f) Remuneration cannot be awarded if it is based on the distribution of insurance to non-professional clients, where the employee could have offered different insurance that better met the needs of the client.

### 5.3.1 Variable Remuneration of Identified Staff and Internal Control Functions

As a Significant Financial Institution, novobanco is obliged to comply with a number of specific requirements that must be considered in the attribution of Variable Remuneration to Identified Staff. These employees must be evaluated and compensated in such a way as to avoid any conflict with their obligation to act in the interests of clients.

In this sense, the Performance Indicator used by novobanco to calculate the variable component of the remuneration of the Identified Staff shall:

- Consider quantitative and qualitative performance criteria, including financial and non-financial, for Employees, Departments and the Bank;
- Be processed in a multi-year framework to ensure that the evaluation process is based on long-term performance and that the effective award of the portions of the Variable Remuneration (Bonus) are deferred over the period defined below, taking into account the Bank's business cycle and its business risks and promoting the retention of Identified Staff;
- Not encourage excessive risk-taking or mis-selling of products;
- Include risk adjustment mechanisms ("Malus" and "Clawback").

#### Internal Control Functions

The variable remuneration of the Identified Staff who hold internal control functions may not be related to the performance of the activities they monitor and control, nor should it be set in such a way as to compromise their objectivity and independence.

##### 5.3.1.1 Bonus

The following rules shall apply to the assignment of Bonuses:

- a. The bonus is assigned on a freely and discretionary basis and only if the following cumulative conditions are met: (i) the Bank has positive operating results; (ii) the assignment is consistent with sound and effective risk management practices; and (iii) the assignment of variable remuneration

- (and its payment including deferred tranches) does not limit the Bank's ability to strengthen and maintain the sound base of own funds;
- b. The Bonus is not contractually or otherwise guaranteed, so no employee may expect its award or vesting or take for granted payment of any piece;
  - c. The total budget for Bonuses to be assigned each year to Employees shall be freely and discretionary and set by the Remuneration Committee;
  - d. The Bonuses or their deferred portions shall only be paid on the respective dates (at the end of the first quarter after the assessment year), provided that the above conditions are met after their in-depth assessment and if justified in light of the performance of the Bank, the Department and the individual performance of the Employee;
  - e. If the employment contract is not in force on the date of payment of a portion, the Identified Employee may be entitled to the deferred portions of the Bonus under the terms defined in the section on rules in case of exit situations;
  - f. The Bonus assigned may not exceed 100% of the annual Fixed Remuneration component for each Employee, unless otherwise approved by the General Shareholders' Meeting;
  - g. The Bonus assigned to Employees is decided freely and based on a combination of several quantitative and qualitative indicators (KPIs) defined by the Executive Board of Directors, in accordance with the principles defined in this Policy and applicable regulations;
  - h. The Executive Board of Directors will propose to the Remuneration Committee the approval of the Variable Remuneration to be assigned to the Identified Staff.

At the end of the year, the Remuneration Committee will set and agree the budget for the total Variable Remuneration for Employees (under section 5.3.) based on that year's operating results. The budget for the Variable Remuneration of Employees will be reviewed, discussed and agreed upon with the CEO of the Executive Board of Directors prior to finalisation. If the assignment is decided, the Executive Board of Directors defines the criteria / rules for the assignment of Bonuses among Employees.

### **5.3.1.2 Form of Payment**

The Variable Remuneration assigned to the Identified Staff shall be paid on a pro-rata basis over a three-year period, provided that the condition set forth in 5.3.1.1 e) is met.

Each of the three payments, when due, will be made as follows:

- 50% is paid in cash;
- 50% of the Variable Remuneration consists of Remuneration Units, whose terms and conditions regarding the attribution, vesting and payment are defined in the Regulation of Remuneration Units. Remuneration Units have an effect equivalent to the award of shares, as permitted by law. These Remuneration Units will have a vesting period of up to 3 years. The Remuneration Units will be settled in cash on the vesting date and will be allocated and settled as the criteria defined in the Remuneration Units Regulation.

### 5.3.1.3 Retention Plans

Retention Plans are variable remuneration retention bonus reflected in cash and remuneration units' payments which are aimed exclusively at eligible key employees and whose benefits will be paid if the permanence requirements are met, as defined in the relevant Regulation.

Payment of the variable remuneration under Retention Plans shall consist of cash (50%) and Remuneration Units (50%).

## 5.3.2 Variable remuneration for Employees Assigned to Business Structures:

### 5.3.2.1 Commercial Incentives

The Commercial Incentive Programme is freely defined and approved by the Executive Board of Directors and has the following assumptions:

- a. The budget for the business incentive programme is reviewed annually by the Executive Board of Directors, although it cannot exceed 5% of the Bank's payroll.
- b. It is applicable only and exclusively to Employees assigned to business structures as referred in number 2 of section 2 of this Remuneration Policy;
- c. Employees eligible for this business incentive programme are excluded from Bonus payments;
- d. This Incentive Programme will make payments on a quarterly basis and a portion of the total incentive is linked to the annual achievement of objectives. For specific segments, the Executive Board of Directors may decide on a different frequency of payment or objectives evaluation;
- e. The performance indicators used by the Incentive Program (SOI) will be an aggregate of *Commercial Performance*, *Quality Indicator*, and *Compliance Indicator*;
- d. For calculation purposes:
  - i. Each function has a reference bonus applied to each employee independently of his/her fixed remuneration;
  - ii. Only performances of 90% or more are eligible for commercial incentives;
- e. Full details of the Commercial Incentive Programme and its calculation method will be published in a separate document;
- f. The programme is subject to risk adjustment mechanisms as described in section 5.4 of this Remuneration Policy;
- g. Commercial Incentives are not contractually or otherwise guaranteed. Therefore, no employee can accept a payout as guaranteed.

### 5.3.2.2 Commercial Campaigns

When setting up a Commercial Campaign, Marketing Departments shall take into account the following:

- a. Each campaign and its prizes/awards must be approved by the Bank's Product Committee;
- b. No campaigns regarding Mortgage Loans can be set up;
- c. Campaigns that include the award of variable remuneration and are related to financial products under the MIFID II Directive, must comply with the following rules:

- i. They are based on a combination of the performance of the employee, his or her department, and novobanco;
  - ii. The underlying performance appraisal the employee should take into account not only quantitative criteria, but also qualitative criteria reflecting compliance with the applicable regulations (in particular regarding information duties, suitability duties, the duty to prevent conflicts of interest, record keeping and evidence), the fair treatment of clients and the quality of services provided to clients.
  - iii. To this end, attention is paid notably (but not exclusively) to internal enquiries, the correct formalisation of sales and to complaints received from customers regarding the sale of products or the provision of services;
  - iv. Qualitative criteria may not be offset by better quantitative performance, and at the limit, may be exclusionary for payment purposes;
  - v. Employees must be evaluated and remunerated in such a way as to avoid conflicts with their obligation to act in the interests of clients;
  - vi. In particular, no arrangements should be made by way of remuneration or sales objectives that might in any way contribute to an employee recommending a specific financial product to a customer, when in the Bank's offering there is another product that would better meet the customer's needs;
  - vii. No remuneration may be assigned based on the distribution of packages of financial products to non-professional clients, when such package does not suit the client's needs;
  - viii. If the employee has taken on excessive risk in his/her actions or has engaged in mis-selling, he/she cannot be awarded Variable Remuneration;
  - ix. Commercial Campaigns are not contractually or otherwise guaranteed. Therefore, no employee can accept a payout as guaranteed.
- d. It is exclusive for Employees included in business structures as referred to in number 2 of section 2 of this Remuneration Policy;

No employee shall receive, over the course of a calendar year, a total aggregate amount of prizes/awards in Commercial Campaigns that exceeds his or her fixed monthly remuneration. In order for the Human Capital Department to ensure the application of this rule, each prize/award (in cash or in kind) must be previously communicated to and authorised by the Human Capital Department.

### **5.3.3 Variable Remuneration for Remaining Employees**

The Variable Remuneration for this category of Employees shall consist of a Bonus and its award is governed by the rules described in section 5.3.1.1 of this Remuneration Policy, as applicable.

The Variable Remuneration awarded to the remaining employees shall be paid until the end of the first quarter of the year following the appraisal, provided that the respective employment contract is in force on the date of payment.

## 5.4 Risk Adjustment Mechanisms

The Bank has the possibility of applying risk adjustment mechanisms to the total Variable Remuneration, based on risk, through the following mechanisms:

- a. Reduction (Malus): allows the Bank to reduce all or part of the Variable Remuneration subject to deferral and whose payment is not yet considered an acquired right;
- b. Reversal (Clawback): allows the Bank to recover amounts already paid or whose payment is already an acquired right, with the Employee being obliged to return such amounts.

### 5.4.1 Rules for Malus and Clawback application

#### 5.4.1.1 Application to Identified Staff

The abovementioned mechanisms are applicable to the total Variable Remuneration of the Identified Staff, during the deferral period, and following an extremely significant event that may be attributable to an Employee.

The Remuneration Committee and the Executive Board of Directors shall determine the level of severity of the event and whether the *Malus* or *Clawback* mechanisms are applicable to all Variable Remuneration awarded to Identified Staff or a portion of such remuneration, as applicable. Depending on the severity of the event, the Remuneration Committee and the Executive Board of Directors should decide whether the *Malus* or *Clawback* mechanism is applicable.

Examples of a significant event where an Employee shall lose the right to Variable Remuneration include fraud, material breach of confidentiality obligations, material breach of sustainability rules or obligations, individual application of material regulatory sanctions or, if applicable, the Employee ceasing to be deemed suitable (Fit & Proper Assessment) by the supervisory authority in accordance with applicable laws and regulations or being subject to criminal convictions (other than traffic offences or other offences for which a non-custodial penalty is imposed).

The decision taken on this matter is subject to approval by the Executive Board of Directors and the Remuneration Committee.

#### 5.4.1.2 Application to Employees Assigned to Business Structures

The Commercial Incentive Program includes a risk adjustment mechanism that aims to recover any amounts found to have been unduly paid. For this purpose, one of the following events must occur:

- a. Disciplinary proceedings or dismissal with just cause (“justa causa”) subsequent to manipulation of commercial performance results;
- b. Fraudulent sales;
- c. Adulteration of records or documents related to the sales process;
- d. The existence of any fact that determines that the employee has breached a procedure or regulation or not complied with any of the rules established under section 5.3.2.1. or 5.3.2.2. clause c).

The Compliance Department shall identify such events based on internal information or information relayed by other Departments and inform the Human Capital Department, which will then ensure that:

- a. The Employee is informed of the detected event and the respective amount that was considered unduly paid;
- b. The Employee shall not receive further variable remuneration until the amount unduly paid is offset by future positive performance.

#### **5.4.1.3 Application to all Remaining Employees**

The Clawback mechanism shall apply if and when any failure is detected in the Employee's compliance with the rules applicable to the professional practice of the services provided contained in laws, regulations, internal regulations or codes of conduct, according to the analysis made by the Compliance, Internal Audit and Legal Departments, and duly reported to the Human Capital Department.

The Human Capital Department shall review the above information relayed and propose a determination of the severity of the event and whether the Clawback mechanism is applicable to the bonus awarded to the Remaining Employees, for approval by the Executive Management Board.

### **5.5 Rules in case of termination of employment contracts**

#### **5.5.1 Rules for termination by initiative of the Bank**

If the Employment Contract is terminated by the Bank without cause (without “justa causa”) under Portuguese law, the Staff Member shall be entitled to receive all the deferred portions of Bonus awarded, subject to applicable *Malus* or *Clawback* adjustments and on the date specified for each deferred payment.

If the Employment Contract is terminated by the Bank with cause (“justa causa”, under Portuguese law), the Staff Member shall not be entitled to any deferred portion of Bonus and without prejudice to the application of any *Malus* or *Clawback* adjustment.

#### **5.5.2 Rules for termination of employment contract by initiative of the Employee**

If the Employee decides to terminate his or her employment contract, he or she shall not be entitled to any deferred portion of Bonus.

#### **5.5.3 Rules for termination of employment contract in case of retirement**

If the employment contract is terminated due to the employee's retirement, the employee shall be entitled to receive all the deferred portions of the Bonus, subject, however, to the application of *Malus* or *Clawback* on the respective dates specified for payment.

### **5.6 Other Benefits**

In accordance with the Collective Bargaining Agreement (ACT”) entered into by novobanco, Employees have access to Pension Plans that vary according to the date they were hired by the Bank, namely:

- Employees hired before 1/1/2008 (according to the ACT) have access to a Defined Benefits Plan. Employees who were integrated into novobanco from Banco BIC have a benefit greater than the one defined in the ACT. Both plans are described in the Agreement establishing novobanco's Pension Fund;
- Employees hired after 1/1/2008 (according to the ACT) have access to a Defined Contribution Plan.

In addition, by management decision, novobanco has another Defined Contribution Plan established in July 2011, exclusively for Employees who were Managers at that date.

In addition, the ACT also provides other benefits related to:

- a) Health benefits: Bank employees are eligible for the SAMS health system;
- b) Credit terms: special mortgage rates indicated in the ACT and personal loan programme for employees under the Bank's Employee Policy;

The Executive Board of Directors may also decide to award other subsidies considering the duties, responsibilities and specific circumstances of the Employee in question (e.g.: rent subsidy to support housing expenses).

## 6 Conflicts of interest

Conflicts of interest relating to the Remuneration Policy and the remuneration awarded must be identified and assessed and mitigated in particular through the existence of objective allocation criteria, based on the internal information system, appropriate controls and the double-check principle.

The Remuneration Policy shall ensure the objective of prevention of occurrence of any conflicts of interest for any Employee in the performance of his or her duties, in accordance with the conflicts of interest policy in force at novobanco.

To ensure the no occurrence of the risks associated with conflicts of interest regarding the Remuneration Policy, novobanco assumes to:

- a. Take into account the interests of shareholders, the rights and interests of consumers, market practices in terms of remuneration, and the stage of maturity of the business;
- b. Not associate remuneration exclusively with a quantitative goal of marketing or sale of banking products and services;
- c. Ensure that the remuneration and performance appraisals do not introduce incentives that benefit Employees' own interests, or the Bank's interests to the detriment of their clients;
- d. Avoid promoting the marketing or sale of a particular product or category of products in relation to other products, such as products which are more profitable for the institution or for the Employee, to the detriment of the interests of the customer.
- e. Ensure that the Variable Remuneration is not paid through means or methods that aim at or facilitate non-compliance with the Remuneration Policy. This may include, among other situations, entering into agreements between the Bank and third parties in which the Employee has a personal or financial interest;



- f. Internal Policies, namely those referred to in the following paragraph, provide that any Employee shall inform the Compliance Department if, by any chance, a conflict of interest arises in relation to this Policy;

The abovementioned notification shall be assessed by the Compliance Department under the applicable Portuguese laws and internal regulation such as Code of Conduct, Conflict of Interest Policy, Related Party Transactions Policy, as well as the Articles of Association of novobanco.

The Compliance Department shall inform the General and Supervisory Board and the Executive Board of Directors:

- Of any communication received about conflicts of interest related to the Remuneration Policy and its evaluation;
- Of any situation detected in which the Employee's obligation to inform the Compliance Department of a conflicts of interest situation under this policy has not been met.

## 7 Gender Neutral Policy

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

A gender neutral remuneration policy should ensure that all aspects of the remuneration policy are gender neutral, including the award and pay out conditions for remuneration.

In determining the value of work, the Bank considers:

- i) the place of employment and its cost of living;
- ii) the hierarchical level of the employees and whether they have management responsibilities;
- iii) the level of formal education of the employees;
- iv) the scarcity of employees available in the labor market for specialized positions;
- v) the nature of the employment contract, including whether it is temporary or for an indefinite period;
- vi) the length of professional experience of the employees;
- vii) professional certifications of employees;
- viii) appropriate benefits, including the payment of additional family and child allowances to employees with spouses and dependent children.

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

Where material differences between the average pay between male and female employees, and that do not result from historical context, the Bank has to document the main reasons, take appropriate actions where relevant or should be able to demonstrate that the difference does not result from a

remuneration policy that is not gender neutral and that it provides for equal opportunities for all genders.

## 8 Disclosure of information

Novobanco should adequately disclose the information externally (*on its website*), as well as make the approach, principles and objectives of remuneration incentives internally transparent. It should also provide sufficient general information on the basic features of its overall remuneration policies and practices and ensure that these are easily accessible.

In addition, novobanco has a duty to disclose information on the practices and Remuneration Policy applicable to certain Employees. Upon approval, this Remuneration Policy shall be disclosed internally to the institution and made available at novobanco's website.

Confidential aspects of employee remuneration are not subject to internal transparency.

## 9 Record Keeping, Review and Update

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

This Policy is supplemented by a set of internal procedures that will be detailed in a specific document. This document must identify, date, and justify any updates and shall be properly filed for a period of at least 5 years.

An annual review and update, if necessary, of the Policy and its implementation shall be carried out by the Executive Board of Directors, with the support of the Remuneration Committee and the involvement of any departments necessary to ensure that:

- it is being correctly implemented;
- the remunerations that have been paid are in line with this Policy, the risk profile and the Bank's long-term objectives;
- It complies with national and international regulations and the applicable legal regime.

A Report on the annual review and assessment of this Policy shall be prepared once a year by the Remuneration Committee and submitted to the Shareholders' Meeting, the Executive Board of Directors and the General and Supervisory Board and it shall set down specific actions to address identified deficiencies. The Executive Board of Directors is responsible for implementing the actions set out in the report.

Notwithstanding the above, the Remuneration Committee shall conduct, at least annually, a review of the Policy and its implementation with respect to Identified Staff.

## **10 Final Provisions**

This Policy was approved by the Executive Board of Directors on 3<sup>rd</sup> of March 2022 and approved by ratification by the General and Supervisory Board and will be effective as of that date, and the changes introduced in this Policy will apply to all fixed or variable remuneration, in cash or in Remuneration Units, that may be awarded, acquired or paid after said effective date.