



**SUCCESSION PLANNING POLICY FOR NOVO BANCO**

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## 1 Legal and Regulatory Framework

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/2021/05 - Guidelines on internal governance under Directive 2013/36/EU;
- EBA/GL/2021/06 - Joint ESMA and EBA Guidelines on the assessment of the suitability of members of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU;
- ECB – Single Supervisory Mechanism (SSM) Supervisory Statement on Governance and Risk Appetite;
- The Notice no. 3/2020 from Bank of Portugal.

The succession planning policy also considers the “Policy for Selection and Evaluation of Novo Banco’ Management and Supervisory Bodies and Key Function Holders”, of which it’s an integral component.

## 2 Definition and Purpose

This Succession Planning Policy defines the process according to which novobanco (or “the Bank”) ensures the proper transition and continuity of the activity of its Management and Supervisory Bodies and key function holders, as defined in the “Policy for Selection and Evaluation of Novo Banco’ Management and Supervisory Bodies and Key Function Holders” (hereafter referred as “Positions”).

For such purpose, both Management and Supervisory Bodies are responsible for identifying and ensuring NOVO BANCO’s needs regarding its organization.

In order to pursue its Strategic Succession Planning, the Bank will set in place a methodology in order to:

- a) Identify all key function holders, from time to time, that perform tasks with significant influence in the management of the Bank.
- b) Identify credible and reliable internal and external candidates to fulfill the abovementioned positions for a possible succession in a short or medium term, in order to meet the Bank’s challenges and assure business continuity.
- c) Reduce the risk of being jeopardised by an unplanned vacancy in top leadership.

- d) Address any general request raised by stakeholders regarding a solid and a well-planned approach to a process of Succession Planning ensuring business continuity (as also requested by the ECB).
- e) Maximize the probability of success of a newly appointed candidate through a structured onboarding and integration process.
- f) Perform an annual review of talent to identify key talents, development needs and potential talent gaps.
- g) Comply with the authorities' regulatory requirements.

Without prejudice of any additional requirements established under this Policy, the procedure for selection and evaluation of candidates shall comply with those established under the "Policy for Selection and Evaluation of Novo Banco' Management and Supervisory Bodies and Key Function Holders".

### **3 Core Principles:**

novobanco's approach to Succession Planning is based on five Core Principles:

#### **3.1 Meritocracy**

Succession must always be perceived as a clear and merit-based process, either by the demonstrated capabilities of the candidate, or by the acquisition of the appropriate skills for the vacant job. In some cases, the demonstrated merit and track record evidences are enough for the succession, in other cases might require additional information to reinforce the decision.

#### **3.2 Efficiency**

Succession must ensure a smooth transition, supported by integrated policies and procedures in order to guarantee the continuity and sustainability of the Bank's business.

#### **3.3 Disruptive Evolution**

Succession should ensure the ability to respond to context and market changes and innovations, allowing relevant strategic changes without compromising the global business orientation.

#### **3.4 Diversity**

Succession must promote gender, age and social diversity. In some cases, this principle may imply new hiring's for the Bank, as established under Novo Banco diversity policy and also for the purposes of pursuing the objectives set out in the Policy for Selection and Evaluation of Novo Banco' Management and Supervisory Bodies and Key Function Holders.

. Nevertheless, being a collective principle, *diversity* might not be possible to observe in some key positions.

### 3.5 Reputational Recognition

Succession must ensure the Bank's valorization and contribute to its external recognition in the banking system. This may imply, in some cases, search for external candidates in the marketplace with a certain knowledge and experience that allows to increase the overall reputation of the Bank.

## 4 Responsibility for conducting the Strategic Succession Planning Process

The Nomination Committee duly supported by the Fit and Proper Officer and/or the Human Capital Department is responsible for conducting the Bank's Strategic Succession Planning process for Key Function Holders.

## 5 Strategic Succession Planning Implementation Process

In order to implement the Strategic Succession Plan, the following activities are conducted:

### 5.1 Expected Role Requirements

- a. Definition by Nomination Committee of the Role Profile for each position to succeed, notably its mission and key responsibilities.
- b. For each role profile, four characteristics will be considered:
  - *Organizational role of the Position*, role responsibilities and business scope.
  - *Academic background and expertise*.
  - *Required experiences*: experiences necessary or desired to cover the role properly.
  - *Managerial and Technical competencies*: necessary competencies to cover the role.
- c. The suitability features for each member is established under Paragraph V "*Requirements for the suitability of the members of the Management and Supervisory Bodies and Key Function Holders*" of the Policy for Selection and Evaluation of Novo Banco' Management and Supervisory Bodies and Key Function Holders. For this purpose, candidates shall comply with the following Role Profile requirements:
  - Experience;
  - Reputation;
  - Conflicts of interest and independence of mind;
  - Sufficient time commitment.

- Collective suitability.

## 5.2 Human Resources Review meetings

novobanco organizes Human Resources Review meetings every year, with members of the General Supervisory Board (“GSB”), the CEO, each Board member and the Head of Human Resources where each Department’s talent is reviewed for the purpose, among others, to identify internal talent pipeline. These meetings occur preferably on the first quarter of each year and focus mainly on:

- a) Adequacy of the Department organizational structure
- b) Head of Departments profiles
- c) Talent Matrix (9box)
- d) Key talent and Succession
- e) HR identified changes and Talent gaps

Each year, at every HR Review Meeting, the main conclusions of the previous meetings are reviewed, developments acknowledged, and potential internal candidates are discussed.

## 5.3 Nomination Committee’s procedure

The Nomination Committee develops, on a yearly basis, an assessment of the current organization and its possible developments, based on the progress of the strategic plan and on the variations of the market and business conditions, considering the desired organization, business strategy and conclusions of HR reviews.

The Nomination Committee shall:

- 1) Conduct an Annual Succession Planning Meeting once a year, after the annual performance appraisal exercise, in order to:
  - a. Present and discuss the *Succession Planning Risk Matrix*, which shall identify CAE and Key Function Holders and incumbents targeted for succession planning. This should include an analysis of planned retirements, potential turnover, etc.
  - b. Present and discuss the *Talent Management Matrix* which shall identify the employees who show the potential for progression within the company.
  - c. Approve the targeted succession candidates.

#### 5.4 Evaluation of Internal Candidates

- a. An independent Management Assessment exercise shall take place regularly at novobanco for internal candidates to CAE and key function holders.

This process should assess each potential candidate in terms of long-term track record (including essential experience), leadership competencies, indicators of potential and market benchmark.

- b. The model of Potential used at novobanco includes four elements:

- **Curiosity** – Individuals demonstrating curiosity will proactively seek new experiences, ideas and knowledge. They will also solicit feedback and are open to learning and change. They are energized by constantly refreshing themselves on an intellectual, experiential and personal level. The extent of an individual's curiosity will also inform how they may progress on the other three dimensions below.
- **Insight** – Demonstrating this trait involves gathering and making sense of a vast range of information. At the higher levels they can switch effortlessly between the high level, big picture and conceptual to the intelligent analysis of granular data. They use this to discover new insights that, when applied, transform past views or set new directions.
- **Engagement** – Individuals high on engagement will know how to connect on an emotional and logical level with others, not just one-on-one. They will be able to communicate a persuasive vision and help others feel more connected to their organization and leader. They seek self-awareness, demonstrate empathy and will be able to inspire commitment.
- **Determination** – High levels of determination describes a combination of traits; the courage and willingness to take intelligent risks, to persist in the face of difficulties and the ability to bounce back from major setbacks or adversity. Individuals will also continue to look for disconfirming evidence and are willing to change direction when necessary.

#### 5.5 Evaluation of External Candidates

If the internal solutions are not adequate or are insufficient at a certain given time, external candidates will be considered by:

- Undertaking a market mapping, including targeting external candidates consistent with the expected role profiles.
- Assessing external candidates in a homogeneous and consistent way.
- Supporting external candidates with a strict reference process by also highlighting possible areas of attention for each candidate.

- If there is a need for an external candidate to cover the role, external candidates identified in the market mapping phase will be preferably contacted, interviewed and presented by an executive search firm.

## 5.6 Preparation and Development of Successors

- a. The preparation of internal candidates for a specific managerial position requires a focused development action comprised of:
  - Assessment of internal candidates versus the expected role profile for the specific role to be covered.
  - Identification of the main areas of attention – gap analysis.
  - Individual development plan focused on the specific role.
  - Regular monitoring of the development of internal candidates and annual update of the benchmarking and gap analysis.

## 5.7 Strategic Succession Plan

The Strategic Succession Plan will identify the internal and external candidates for each Position, including notes on:

- Relevant previous experience
- Strengths and leadership competencies
- Comments and development suggestions
- Timing (short term or medium-term solution)

When establishing the Strategic Succession Plan, novobanco shall ensure:

- a. The continuity of decision-making procedures; and
- b. Preventing, if possible, the replacement of a large number of members, simultaneously.

## 5.8 List of Candidates

Upon the completion of the Strategic Succession Plan, a list shall be drawn with the identification of the potential candidates, either from novobanco employees with high potential to perform the role of the identified position, or from potential pre-selected external candidates to take the role.

Such list is intended to assure and safeguard the succession of Management and Supervisory Bodies and other Key Function Holders, and to be submitted to the General Meeting or the General Supervisory Board, as applicable, whenever it is deemed to be necessary, namely by termination of the current members' mandate.



## 6 Appointment, on boarding and Integration

The Strategic Succession Planning process is not completed with the appointment and approval of the new executive or new leader, as it needs to be followed by a solid and rapid integration process:

- Once the appointment has been made public and approved by the European Central Bank or Banco de Portugal, when applicable, novobanco can work on an accelerated integration process to speed up the on boarding of the executive or the new leader.
- On boarding programs are designed for external incumbents in order to accelerate cultural integration and develop networking at the Bank.
- An extensive induction training is prepared for the newly appointed executive or new Leader during the first 120 to 180 days, both through face-to-face training and through online methodologies.

## 7 Data Protection Requirements

NOVO BANCO shall only collect and maintain the personal data which is necessary for the main objectives that these provisions aim to achieve, namely, name, contacts, academic qualifications, and professional track-record.

## 8 Approval, entry into force and amendments

The present Policy was approved by the Executive Board of Directors and by the Nomination Committee of the General and Supervisory Board, on 7, December and 13, December 2021 respectively, and may only be amended by resolution of these Bodies.

## 9 Publication

The present Policy will be published at novobanco institutional website ([www.novobanco.pt](http://www.novobanco.pt))