

novobanco

**GREEN FINANCING AND
INVESTMENT
CLASSIFICATION POLICY**

novobanco

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1. Framework

For **novobanco** it is essential that its activity contributes positively to the entire ecosystem in which it operates, developing its business in a sustainable way and simultaneously promoting the transition to a low-carbon economy.

novobanco's strategic plan is based on the orientation to become a customer-centric bank, with simple and efficient operations, which prioritizes the development of its people and culture, with a sustainable performance.

A sustainable performance is supported by strengthening the integration of ESG into its business.

In this sense and given **novobanco's** leading role in financial support for companies, we consider a strategic priority the direct and active support for our customers' energy transition and their transition journey to low-carbon and sustainable business models.

We consider essential to know and evaluate the challenges that the climate and energy transition pose to our customers, particularly the companies we finance, to reinforce and adapt the offer of products and services to the specific transition or conversion needs of each customer and identify the possible impacts of these challenges in their business.

We believe that companies that better prepare their transition will have greater capacity for operational and financial performance, a fact that must be recognized in access and financing conditions.

On the other hand, the identification of challenges posed by ESG that conflict with the assessment of the viability and financial capacity of the company and the Bank's customers, may determine decisions to restrict financing or increase its price.

Hence, **novobanco** assumes a transition strategy or alignment of its balance sheet based on financing the transition of its customers and defines "green" investment objectives as one of its sustainability commitments.

2. Scope

novobanco's green financing and investment classification policy is applicable to financing corporate and individual customers, as well as investment in debt and capital market instruments from the portfolio, of Novo Banco, S.A., and Novo Banco dos Açores, S.A..

3. Green Finance and Investment Classification Model

3.1. Main Sectors and activities

novobanco considers eligible for “green financing” classification all financing and investments that are intended to support commercial activities that contribute to environmental sustainability and to the Sustainable Development Goals, and that contribute significantly to at least one of the objectives of the European Taxonomy, namely to climate change mitigation or adaptation.

Below we list some of the activities that can be highlighted:

Activity	Description	SDG's
Agriculture, forestry, fishing, and livestock	<ul style="list-style-type: none"> • Sustainable agriculture • Forestry and land conservation • Sustainable livestock and aquaculture 	  
Energy	<ul style="list-style-type: none"> • Renewable Energy Production • Cogeneration (biomass) Energy Production • Renewable energy transmission and distribution 	  
Water and Waste management	<ul style="list-style-type: none"> • Sustainable waste management and recycling • Sustainable water supply and wastewater treatment 	  
Industry	<ul style="list-style-type: none"> • Production of renewable energy technologies • Products and services that allow energy savings in industrial processes • Production of energy efficient equipment for buildings 	 
Real Estate	<ul style="list-style-type: none"> • Construction, purchase of green buildings • Improvement works for green buildings • Sustainable installations such as energy-efficient heating, air conditioning 	  
Transports	<ul style="list-style-type: none"> • Sustainable land transport • Sustainable water transport • Sustainable transport infrastructures 	 
IT and Communications	<ul style="list-style-type: none"> • Solutions that reduce CO₂ emissions • Technology and software that allows energy savings 	 
Other Climate Mitigation and Adaptation activities	<ul style="list-style-type: none"> • Reduction, prevention, and removal of CO₂ emissions • Biodiversity projects 	    

3.2. Classification Criteria

novobanco's green financing classification have demanding and conservative criteria, that follow the principles defined by the European Taxonomy, and consider, in particular, the principles related to climate change mitigation and adaptation¹.

We highlight the following ones:

Financing SME

- **“Green Corridor” for credit aligned with the European Taxonomy**

Operations in companies with activities classified under NACEs (Nomenclature of Economic Activities) or BICS (Bloomberg Industry Classification System) that, according to internal analysis, have an activity that is eminently aligned with the European Taxonomy:

- In these situations, if this criterion is met, the financing is directly classified as “green”, without the need for additional assessment, and won't need to define a specific use of proceeds.

- **Financing with defined use of proceeds**

Operations such as Project Finance, Green Bonds/Loans and Sustainable Bonds. The conditions of the operations should be assessed on a case-by-case basis, based on the collection of supporting technical information from the operation, namely Green or Sustainability Bond Frameworks and Second Party Opinions (SPO).

If the financing has not been assigned with one of the classifications identified above, but the company is mature in the ESG theme and aligned with the European Taxonomy, it is considered as green the total credit amount, or a percentage of the total amount (the aligned proportion), assessed on a case-by-case basis, based on the collection of technical information to support the operation.

The assessment of the information and respective conclusion is carried out independently from the originating business area.

¹ Defined in the [EU Taxonomy Compass](#).

- **Financing without defined use of proceeds**

Operations in the format of Commercial Paper, Sustainability-Linked Bonds (SLB) and Sustainability-Linked Loans (SLL) of companies or projects whose activity is eligible to be considered sustainable in accordance with the European Taxonomy. The conditions for classification as green by **novobanco** are assessed, on a case-by-case basis, based on the collection of technical information supporting the operation, namely that which supports the classification as an issue/loan linked to sustainability or green commercial paper and which proves that financing will contribute to the company alignment journey, ie, for the transition of the company's operating model in accordance with the criteria of the European Taxonomy. The assessment of the information and respective conclusion is carried out independently from the originating business area.

- **Commercial Real Estate**

Financing operations for the Construction, Renovation or Acquisition of properties that have obtained (or, through the construction or renovation project, plan to obtain) energy certification (EPC) A or higher. It's also considered the internationally accepted classifications of BREEAM and LEED - the levels accept of these two classifications, ensure compatibility, at least, with energy certification level A.

The assessment of the information and respective conclusion is carried out independently from the originating/business area.

Financing Individuals

- **Mortgage**

Credit operations for the acquisition, construction or renovation of properties that have obtained (or, that plan to obtain through the construction or renovation project) energy certification EPC B or higher.

- **Personal credit**

Loans for the purchase of electric or hybrid vehicles, as well as personal loans for the purchase of renewable energy production equipment.

3.3. Business Integration: Governance and Operationalization

novobanco's green financing and investment classification policy are approved by the Sustainability Steering. The Sustainability Steering also monitors the monthly evolution of the amount of new green financing and investment.

The identification of green financing and investment operations is carried out, as a rule, at the origination of the operation, by the business area responsible for the operation, except in cases where the operation is classified as green because it falls within the so-called “green corridor” of sectors of activity eminently aligned with the European Taxonomy, as referred to in point 3.2. above, in which case the identification of these operations is carried out centrally by consulting the NACE/BICS of the client and contracted product.

Any operation that meets the criteria for classification as “green” and that was not identified at the time of its origination may also be classified later, if all the conditions for this are met and all the necessary supporting documentation is available.

Validating compliance with the conditions for attributing the “green” classification is the responsibility of the ESG Office which, periodically, based on the information and documentation made available by the business areas, validates the assigned classification, and triggers the process of marking these operations.

The **novobanco** green financing and investment classification policy will be reviewed and updated annually (or more frequently if necessary) to reflect the practices and guidelines of the legislator, supervisors and/or regulator authorities related to sustainability and the classification of economic activities as sustainable or transitional, in the European Taxonomy.

Updates made, or to be made, in this policy and in the applied criteria will not affect the classification of operations already carried out on a previous date.