NOVOBANCO'S CARBON REDUCTION COMMITMENTS

novobanco

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Message from the CEO

More and more, society is demanding the involvement of all economic and social agents in the transition towards a more environmentally and socially sustainable economic model. Financial institutions, as the main financiers of the economy, have a particularly important facilitating role to play. At novobanco, we are fully aware of this, and have made it a strategic priority to support the Portuguese economy's transition towards a more sustainable and socially inclusive model.

It is a challenge that requires the transformation of the country's economic model, companies' production methods and society's consumption habits. And this transformation requires the mobilisation of significant investments. Recognising this, at novobanco we aim to partner with our clients to support the financing of their transition journey and decarbonisation efforts. Sustainability, and Environmental, Social and Governance concerns are embedded in each of our four strategic pillars, their respective action plans and the way we do business. The client is at the center of everything we do and this means supporting and advising our customers on environmental and climate issues, offering solutions for all client segments, generating positive social impact and promoting financial inclusion.

As evidence of our commitment to the transition towards a decarbonised economy, novobanco signed the UN Global Compact's Science Based Targets Initiative – Business Ambition for 1.5°C pledge (SBTi). Within this framework, we have set 2030 emission reduction targets for our operational carbon footprint and for our financing and investment portfolio and, specifically, in the most Greenhouse Gas intensive sectors (Power generation, Cement, Commercial Real Estate, Oil and Gas and Chemicals).

With this report we aim to fulfil our commitment to stakeholder disclosure, giving an insight not only of the targets set but also of the framework novobanco has implemented to deliver on these commitments, engage with clients and the community and monitor progress.

Mark Bourke

Our strategic approach to supporting the transition

novobanco Group is committed to play an active role in the advancement of the Portuguese economy and society transition towards low carbon. Mirroring our Sustainability Policy, we permeated our entire business model with this vision, namely, our relationship with clients and society, in the context of supporting the transition and promoting socio-economic development; the management and continuous improvement of the environmental and social performance of our own operations; and the development of a sustainability strategy that fosters an effective governance model and the proper economic integration of all risks, including climate and environmental risks.

To follow-up on that ambition, novobanco identified strategic lines of action, essential to fulfill the climate change mitigation goals:

- **Reduce the carbon footprint of our own operations** – by acting within an operational model that minimizes the direct impact on the environment, reducing consumptions and CO_2 emissions and implementing concrete measures;
- **Reduce the carbon footprint of our portfolio** – by ensuring, as a prior condition to material lending transactions, the assessment of clients compliance with minimum safeguards (namely, exclusion and restriction policies), of their performance against sector-specific benchmarks as well as the potential impact on the carbon reduction targets' trajectories;
- **Finance the energy transition** – by supporting our customers through loans whose purpose is aligned with the environmental objectives of the European Taxonomy, and with European Energy Programs, through financial products and services, and also through financial literacy, leveraging on a transition-centered commercial offer strategy.

Consequently, novobanco joined the United Nations Global Compact's "Business Ambition for 1.5°C" initiative, committing to establish science-based targets for reducing the bank's greenhouse gases (GHG) emissions. We also signed the "Letter of Commitment to Sustainable Finance in Portugal", which aims to promote sustainable investment practices in the country, with the objective of accelerating the process of transition to a carbon-neutral economy by 2050.

The bank has therefore undertaken an extensive exercise to define GHG emission reduction targets that are compatible with the Paris Agreement. In this context, novobanco takes a two-tiered approach:

Own Activities

For its **own activities**, novobanco is minimizing ESG risks to people and the planet by improving the environmental footprint of its day-to-day operations – namely its carbon footprint – and bringing awareness to our people on the relevance and benefits of working in a more sustainable manner.

How?

- Ensuring that all electricity in our premises is provided from renewable sources
- Reducing consumption of electricity, proceeding with the implementation of energy efficiency measures
- Increasing self-consumption of renewable sources electricity through the installation of photovoltaic panels in novobanco facilities
- Increasing the percentage of low emission vehicles (electric/ hybrid) in the banks' fleet, providing the staff with access to charging stations
- Promoting, and making available to its staff, lower carbon forms of commuting to work.

Finance banking activity

For its **banking activity**, novobanco is (i) supporting customers on their path to sustainability, by financing and supporting investment aimed at the energy transition, promoting circular economy and low-carbon production and (ii) making available to its clients, investment and savings products and services that take environmental and social concerns into consideration.

How?

- Implementing an overarching ESG risk management policy that outlines novobanco's approach to managing each ESG risk exposure
- Adapting the risk management framework for assessing and quantifying ESG risks to novobanco's operations
- Screening out current and future investments or lending in its portfolios in line with an exclusion and minimum safeguards policy, and sector screening
- Integrating ESG classification, concerning intensity factors and targets of the company into the risk assessment and decision process to support alignment with the business strategy, for commercial financing and for own portfolio investment
- Engaging with clients on current and future transition plans to collect information related to decarbonization strategy, GHG emissions, sustainable targets and to design specific financial products that support client's transition
- Leveraging novobanco's Green financing policy to support clients in the transition process, supported by partnerships with sustainability services companies.

Our Science-based Targets initiative commitment

In 2019, in the aftermath of the Climate Action Summit, novobanco formalized its commitment to the Business Ambition for 1,5°C by becoming a signatory of the Science-based Targets Initiative (SBTi).

The Science-based Targets (SBTs) enables financial institutions to accelerate transformation by aligning loan and investment portfolios with the level of ambition required by science. This approach leverages the influence and shared responsibility of financial institutions to provide the capital needed to finance the low carbon transition.

In June 2024, novobanco received the SBTi approval for the carbon reduction targets regarding our own activities (Scope 1 and 2) and selected financing and investment portfolios (Scope 3 category 15, investments), namely, electricity generation, cement manufacturing, commercial real estate (including funds), corporate loans and listed equities and bonds.

Key actions to achieve the targets will be particularly focused on emission-intensive sectors and larger exposures and may include:

- Reinforced customer dialogue, especially in particularly affected sectors, reinforcing ESG data collection in alignment with existent climate & environmental risk framework;
- Further promotion of green financing business, expand its sustainable product range and broaden partnerships with external subject matter experts that can support its clients develop and execute their transition plans;
- Differentiated pricing models, for specific portfolios, if applicable;
- Further develop monitoring tools that enable effective portfolio steering;
- Continued promotion of ESG literacy within its client base and the Portuguese economic fabric at large

In the SBTi commitment letter

For novobanco's SBT commitment:
https://sciencebasedtargets.org/resources/files/Target-language-and-summary_Novo-Banco-S.A.pdf

For information of SBT:
https://sciencebasedtargets.org/

Metrics and Targets: the road ahead

novobanco's carbon reduction commitments cover two dimensions of the bank's carbon footprint:

- The **GHG emissions from the bank's own activities**, specifically, Scope 1 emissions (direct emissions resulting from fuel consumption in the facilities; direct emissions resulting from the consumption of fuel by novobanco' s fleet) and Scope 2 emissions (indirect emissions resulting from electricity consumption).
- The **GHG emissions from the bank's financing and investment activities**, specifically, Scope 3 Category 15 (Investments) emissions.

These targets were developed in the context of novobanco's commitment to the Business Ambition for 1.5°C Campaign of 2019 as well as the mandatory Market Discipline Pillar 3 ESG disclosures (EU 2021/637), which requires the bank to disclose portfolio alignment metrics for economic activities potentially exposed to transition risk associated with climate change.

Sector/Scope	Metric/ Methodology	Disclosure	Emissions' Baseline (2021)[5]	Emissions' Reduction Target		Target Year
=>Own Operations:						
Scope 1&2	Absolute reduction/SDA[2]	SBT Iniciative	6 875 $tonCO_2eq$	-54%	3 105 $tonCO_2eq$	**2030**
=>Scope 3 (financed emissions):						
Power Generation (Banking Book[1])	Relative reduction/ SDA[2]	SBT Iniciative & Pillar 3	0,228 $tonCO_2$ eq/MWh	-74%	0,06 $tonCO_2eq$/MWh	**2030**
Cement (Banking Book[1])	Relative reduction/ SDA[2]	SBT Iniciative & Pillar 3	0,629 $tonCO_2$ eq/ton cement	-23%	0,487 $tonCO_2$ eq/ton cement	**2030**
CRE (Loan tape)	Relative reduction/ SDA[2]	SBT Iniciative & Pillar 3	0,032 $tonCO_2$ eq/ m^2	-68%	0,010 $tonCO_2$ eq/ m^2	**2030**
CRE Funds	Relative reduction/ SDA[2]	SBT Iniciative & Pillar 3	0,04 $tonCO_2$ eq/ m^2	-68%	0,013 $tonCO_2$ eq/ m^2	**2030**
Fossil Fuels Combustion	Relative reduction/ IEA[6]	SBT Iniciative & Pillar 3	0,070 $tonCO_2$ eq/ Gj	-11%	0,062 $tonCO_2$ eq/ Gj	**2028**
Chemicals	Relative reduction/ IEA[6]	SBT Iniciative & Pillar 3	1,417 $tonCO_2$ eq/ton	w/o reduction	1,427 $tonCO_2$ eq/ton	**2028**
Corporate Loans (Loan tape)	Absolute reduction/ Temperature Tool[4]	SBT Iniciative	S1+S2: 3,04°C S1+S2+S3: 3,16°C	-19% -19%	2,47°C 2,55°C	**2028**
Listed EQs & BNDs (Own Portfolio)	Absolute reduction/ Temperature Tool[4]	SBT Iniciative	S1+S2: 2,27°C S1+S2+S3: 2,62°C	-12% -16%	1,99°C 2,11°C	**2028**

1. Banking book and Own Investment Portfolio. 2. SDA – Sector Decarbonization Approach defined in SBT tool. 3. Partnership for Carbon Accounting Financials. 4. SBTi temperature rating tool based on a temperature scored method developed by the CDP (Carbon Disclosure Project) and WWF (World Wildlife Fund). 5. For Chemicals and for Fossil Fuel Combustion the base line is 2023. 6 International Energy Agency.

Target for our own activities

Concerning our own operations, we defined a carbon-reduction target in accordance with the guidelines of the Greenhouse Gas Protocol (GHG Protocol), using the location-based methodology.

Novo Banco S.A. commits to reduce absolute Scope 1 and 2 emissions, by 54.2% until 2030, from a 2021 base year.

Targets for novobanco's Portfolio Alignment ambition

Concerning our financing and investment activities, we defined carbon-reduction targets for material sectors from a climate change mitigation perspective, considering the requirements of the SBTi and the criteria for the definition of prudential portfolio alignment metrics, as established by the European Banking Authority (EBA) for the Pillar 3 disclosures.

The Scope 3 portfolio targets, a total of 8,1 billion euros as of December 2023, cover 34% of novobanco's total customer loans.

Electricity generation

- The target considers the outstanding amount in electricity generation activities (NACE 35111, 35112, 35113 and Rev. 4: 35110, 35121, 35122, 35123, 35124, 35125, 35121,holding companies which generate electricity);
- The target covers on balance, medium-long term financing and investment, to large corporates, covering the credit portfolio, own portfolio and project finance exposure;
- For the 2030 target calculation, the bank applied the SBTi methodology, considering the fixed market share option in the SBTi Energy Sectoral Decarbonization Approach (SDA);
- As input, the bank considered the financed Scope 1 emissions of the covered companies or projects and the respective financed electricity production (GWh).

Novo Banco S.A, commits to reduce CO_2 emissions from the electricity generation sector within its project finance, corporate bond and loan portfolio 74% per MWh by 2030 from a 2021 base year.

Cement manufacturing

- The target considers the outstanding amount in cement production activities (NACE 23510 and holding companies which manufacture cement);
- The target covers on balance, medium-long term financing and investment, to large corporates, covering the credit portfolio and own portfolio exposures;
- For the 2030 target calculation, the bank applied the SBTi methodology, considering the fixed market share option in the SBTi Energy Sectoral Decarbonization Approach (SDA);
- As input, the bank considered the financed Scope 1 of the covered companies and projects and the respective financed cement production (tons of cement).

Novo Banco S.A. commits to reduce CO_2 emissions from the cement sector within its corporate loan and bond portfolio exposure 23% per ton of cementitious product by 2030 from a 2021 base year.

Commercial real estate (Loans)

- The target considers the outstanding amount in novobanco's Real Estate Development and Real Estate Development – Income portfolio segments;
- The target covers real estate collaterals, excluding those under construction and land plots;
- For the 2030 target calculation, the bank applied the SBTi methodology, considering the fixed market share option in the SBTi Energy Sectoral Decarbonization Approach (SDA);
- As input, the bank considered the financed Scope 1 and Scope 2 emissions of the covered collaterals (based on their Energy Performance Certificate) and the respective financed area (m2).

Novo Banco S.A. commits to reduce its real estate loan CO_2 emissions 68% per square meter by 2030 from a 2021 base year.

Commercial real estate (Funds)

- The target considers the outstanding amount in novobanco's Commercial Real Estate funds portfolio;
- For the 2030 target calculation, the bank applied the SBTi methodology, considering the fixed market share option in the SBTi Energy Sectoral Decarbonization Approach (SDA);
- As input, the bank considered the financed Scope 1 and Scope 2 emissions of the covered collaterals (based on their Energy Performance Certificate) and the respective financed area (m2).

Novo Banco S.A. commits to reduce CO_2 emissions 68% per square meter from the real estate sector within its listed equity and corporate bond portfolio by 2030 from a 2021 base year.

Fossil fuel combustion

- The target considers the outstanding amount in activities related to the extraction and refining of fossil fuels (NACE 0610, 0620, 0892, 0910, 1920, and holding companies which are significantly involved in such activities);
- The target covers on balance, medium-long term financing and investment, to large corporates, covering the credit portfolio and own portfolio exposures;
- For the 2028 target calculation, the bank considered the International Energy Agency (IEA) trajectory for the sector as well as the climate commitments of the covered companies;
- As input, the bank considered the financed Scope 1, Scope 2 and Scope 3 (category 11, use of sold products) emissions of the covered companies as well as the respective financed manufactured energy products (GJ).

Novo Banco S.A, commits to reduce CO_2 emissions from the fossil fuels combustion sector, within its corporate bond and loan portfolio 11% per GJ of energy product manufactured by 2028, from a 2023 base year.

Chemicals

- The target considers the outstanding amount in activities related to the production of basic chemicals (NACE 201);
- The target covers on balance, medium-long term financing and investment, to large corporates, covering the credit portfolio and own portfolio exposures;
- For the 2028 target calculation, the bank considered the International Energy Agency (IEA) trajectory for the sector;
- As input, the bank considered the financed Scope 1 and Scope 2 emissions of the covered companies as well as the respective financed manufactured chemical products (tons of chemical products). In the case of not existing real information it was considered the sectorial intensity from IEA. Novobanco acknowledges the lack of real reported data from companies, which requires the use of global sectoral estimates. In 2025, the International Energy Agency (IEA) updated the decarbonisation pathway for the chemicals sector, maintaining the percentage reduction effort but reflecting the delay in emissions reductions, resulting in higher carbon intensity values both at the starting point and for 2030.

Novo Banco S.A, commits to not increase by more than 0,7% CO_2 emissions from the basic chemicals sector within its corporate bond and loan portfolio per ton of chemical product manufactured by 2028, from a 2023 base year.

Corporate Loans (other long-term debt)

The target considers the outstanding amount related to companies not covered by individual, sectorial targets (except for exposure to fossil fuel companies, which is completely covered in this target);

- The target covers on balance, long term financing to large corporates, covering the credit portfolio exposures;
- For the 2028 target calculation, the bank applied the SBTi Temperature Rating methodology;
- As input, the bank considered the GHG emissions of the covered companies as well as their carbon reduction targets and science-based commitments.

Novo Banco S.A. commits to improve its financed Scope 1 and 2 portfolio temperature score by invested value, within the other long-term corporate loan portfolio, from 3.04°C in 2021 to 2.47°C by 2028.

Novo Banco S.A. commits to improve its financed Scope 1, 2 and 3 portfolio temperature score by invested value, within the other long-term corporate loan portfolio, from 3.16°C in 2021 to 2.55°C by 2028.

Listed equities and bonds (own portfolio)

- The target considers the outstanding amount related to companies not covered by individual, sectorial targets (except for exposure to fossil fuel companies, which is completely covered in this target);
- The target covers on balance, long term financing to large corporates, covering the equity and bonds portfolio (namely, common stock, preferred stock, corporate bonds, exchangeable traded funds, excludes unlisted instruments, commercial paper, covered bonds and government bonds);
- For the 2028 target calculation, the bank applied the SBTi Temperature Rating methodology;
- As input, the bank considered the GHG emissions of the covered companies as well as their carbon reduction targets and science-based commitments.

Novo Banco S.A. commits to improve its financed Scope 1 and 2 portfolio temperature score by invested value, within the other long-term corporate loan portfolio, from 2.27°C in 2021 to 1.99°C by 2028.

Novo Banco S.A. commits to improve its financed Scope 1, 2 and 3 portfolio temperature score by invested value, within the other long-term corporate loan portfolio, from 2.62°C in 2021 to 2.21°C by 2028.

Our target monitoring mechanisms

novobanco understands the importance of accompanying the development of its operations performance along with the impact of existing and new exposure in the banking activities carbon reduction commitments, specifically considering how they compare to the climate scenarios defined as the reference trajectories.

novobanco monitors scope 1 and scope 2 emissions own emissions semiannually, in June and in December, and discloses external verified data in the Annual Report.

The bank is implementing the process to assess the impact of new financing and investment exposure on each target's trajectory, complementing the monitoring of the existing exposures' performance. This due diligence demands the collection of information on the counterparty and/or the use of proceeds carbon emissions and benchmarking the results with the annual reference values for each sector's carbon intensity.

The reference climate trajectories were defined considering different scenarios of evolution of the relevant countries' electricity generation sector, particularly of the accomplishment of their carbon reduction commitments, as well as of the commitments established by sectorial associations and of the carbon reduction targets defined by each counterparty, if available. Ultimately, the assessment has a sector-specific approach, with dedicated guidelines for each economic activity covered by novobanco's portfolio alignment commitments.

Scope 3 emissions – Category 15 (Investments) are monitored at portfolio level at least semiannually. At transaction level, with particular focus on sectors with higher transition challenges and with financed emissions reduction targets for novobanco, carbon intensity is taken into account in the credit assessment.

Governance

Our general framework for ESG

By recognizing that developments in terms of ESG must also follow good governance and an organisational model that guarantees the success of their implementation, ensuring accountability, mobilization and alignment, novobanco has undergone a revision of its governance model with regard to sustainability issues.

novobanco ESG Steering will streamline the discussion and decision-making process as well as to ensure effective management of the transformation plan. The Steering meets in a monthly basis, attended by the Executive Board of Directors (EBD), including the responsible for Sustainability, Risk, Credit and Corporate Business and, in a quarterly basis, by members of the General and Supervisory Board (GBS) and the CEO.

Among the participants in the ESG Steering are the ESG Office – a dedicated cabinet responsible for coordinating novobanco's ESG approach –, along with the Risk, Credit and Corporate Segment portfolios functions.

novobanco's carbon reduction commitments were approved by its EBD. The ESG Steering is responsible for monitoring its progress, informing the EBD of any necessary additional corrective measures, besides what has been strategically planned to achieve the carbon reduction targets.

Our disclosure and reporting mechanisms

The novobanco Group believes that monitoring and reporting on sustainability and on material ESG issues identified by the bank, is essential to continuously affirm the bank's ambition to support the transition as well as to demonstrate the progress achieved on its sustainability commitments.

Under this premise, novobanco commits to continuously monitor its own performance and the alignment of existing and new financing and investment exposures, to the established carbon-reduction trajectories. The bank commits as well to a transparent, comprehensive and fair reporting of information related to its sustainability performance, which includes an annual disclosure on the progress of the scope 1, 2 targets, and scope 3 (investment), guaranteeing compliance with both the SBTi and the prudential ESG disclosure requirements.

Validity of statement

This statement will become effective on the date that it is published. The period of validity of the statement is indefinite.

The contents of this document will be reviewed on a regular basis, and any changes or modifications may be made whenever novobanco deems it necessary and appropriate.

This document was last revised in July 2026. This document is published on novobanco's website **https://www.novobanco.pt/** and on the internal portal site.

If there are any inconsistencies, queries or general issues regarding compliance with this sustainability statement identified by any department, employee or other third party, or any doubt or suggestion on its application, these must be reported by email to **sustentabilidade@novobanco.pt**.

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Appendix:

Carbon footprint

2025 progress figures

SECTOR /SCOPE	Metric/ Methodology	Disclosure	Emissions' Baseline 2021[5]	Emissions'/ Intensity 2025	2030 Emissions' Reduction Target
=>Own Operations:					
Scope 1&2	Absolute reduction/SDA[2]	SBT Iniciative	6 875 $tonCO_2eq$	3 499 $tonCO_2eq$	3 150 $tonCO_2eq$
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Cement (Banking Book[1])	Relative reduction/ SDA[2]	SBT Initiative & Pillar 3	0,629 $tonCO_2eq$/ ton cement	0,630 $tonCO_2eq$/ ton cement	0,487 tonCO2eq/ ton cement
CRE (Loan tape)	Relative reduction/ SDA[2]	SBT Initiative & Pillar 3	0,032 $tonCO_2eq$/ m^2	0,0164 $tonCO_2eq$/ m^2	0,010 tonCO2eq/ m^2
CRE Funds	Relative reduction/ SDA[2]	SBT Initiative & Pillar 3	0,04 $tonCO_2eq$/ m^2	0,0158 $tonCO_2eq$/ m^2	0,013 tonCO2eq/ m^2
Fossil Fuels Combustion	Relative reduction/ IEA[6]	Pillar 3	0,070 $tonCO_2eq$/ Gj	0,071 $tonCO_2eq$/ Gj	0,062[7] tonCO2eq/ Gj
Chemicals	Relative reduction/ IEA[6]	Pillar 3	1,417 $tonCO_2eq$/ ton	1,427 $tonCO_2eq$/ ton	1,427[7] tonCO2eq/ ton

1. Medium- and Long-term loans to Large Corporates and Own Investment Portfolio. 2. SDA – Sector Decarbonization Approach. 3. Partnership for Carbo Accounting Financials. 4. SBTi temperature rating tool based on a temperature scored method developed by the CDP (Carbon Disclosure Project) and WWF (World Wildlife Fund). 5. For Chemicals and for Fossil Fuel Combustion the base line is 2023. 6 International Energy Agency. 7. For Chemicals and for Fossil Fuel Combustion the targets are for 2028.

For novobanco' s Carbon Reduction commitments press HERE.
For novobanco' s SBTi commitment press HERE.

July 2026

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