



# **FINANCING PRINCIPLES – SECTORS/ACTIVITIES – EXCLUSIONS AND MINIMUM SAFEGUARDS**

novobanco

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# Framework

Novobanco guided by a sustainable behaviour, is committed to adopt measures that contribute to the development of its business integrating ESG criteria into its financing policy. Novobanco intends to respond to the sustainability challenges that are currently on the world agenda, especially climate change, and the adaptation and mitigation measures linked to it, respect for human rights, gender equality and opportunities, diversity, and the eradication of forced labour and child labour. Novobanco seeks to increasingly integrate these matters into its daily management.

## Goal

- Promote an ethical and transparent business conduct with the aim of creating long-term value.
- Integrate environmental, social and governance principles into the business, that emerged from the material themes and SDGs that raised from the consultation carried out with the stakeholders.
- Apply the commitments made by integrating them into the marketing of your financial products or corporate bonds as sustainable investments.

## Scope and Application

Considering sustainable development as a fundamental aspect of healthy economic management, as established in the Group's Sustainability Policy, and intending to develop its activity in accordance with the taxonomy defined by the European Union for the financial sector and aligned with the principles of "Global Compact" of the United Nations (UN), the Universal Declaration of Human Rights, the Guidelines of the Organization for Economic Co-operation and Development (OECD) for Multinational Enterprises and the main conventions of the International Labour Organization (ILO), novobanco excludes and/or have minimum safeguards for some sectors and projects of its financing and investment activity.

These exclusions and minimum safeguards are set out in this document, as well as in the internal Risk Appetite and Credit Risk Policies.

To monitor the exposure in excluded sectors and sectors with minimum safeguards, commercial and credit risk assessment processes were developed.

## Sectors/activities excluded

Within the scope of this policy, novobanco does not finance or invest in companies that in any way carry out their activities in accordance with behaviours repudiated by the novobanco Group or that do not comply with the Fundamental Principles and Rights at Work established by the International Labour Organization and the International Charter of Human Rights, including forced labour, child labour or any type of inhumane treatment or threat of treatment.

Additionally, the following sectors are excluded from the Risk Appetite, Credit Risk Policies:

- Coal mining and coal energy production;
- Weapons and ammunition production and sale (excluding for sovereign defence);
- Production and sale of chemical, nuclear, biological, or mass destruction weapons;
- Activities related to Prostitution, or a business model based on pornography;
- Projects for the extraction and international trade of wild species of exotic fauna and flora that are threatened or on the verge of extinction;
- Any activity associated with piracy.

## Sectors/activities with minimum safeguards

In order to reduce the negative environmental and social impacts indirectly resulting from its activity and to progressively contribute to a sustainable economy, the novobanco Group conditions financing and investment to the following projects in sectors that may have high negative impacts, making additional analysis of the potential impacts of financing this activities, namely:

- Production and commercialization of defence weapons

Restriction on financing the production and commercialization of defence material to companies and sovereigns of countries with controversial, autocratic political regimes and limited by national legislation and international conventions;

- Production and commercialization of chemical products and substances  
Restriction on financing customers and projects to produce hazardous chemical substances that are restricted in national legislation and international conventions.
  
- Crude Oil and gas Extraction  
Financing restrictions on the operations arising from projects of oil extraction under the following conditions:
  - Extraction from non-conventional sources ;
  - UN World Heritage and IUCN (International Union for Conservation of Nature), Cat. I to IV protected areas.
  
- Nuclear energy production  
Financing restrictions of the activity and projects related to the production of nuclear energy that do not comply with the Convention on Nuclear Safety which aims to improve nuclear safety worldwide;
  
- Extraction of metals and ores with a high environmental and social impact  
Financing restrictions of operations or projects for the extraction, processing, and sale of ores:
  - Extraction, processing and trade from conflict and high-risk areas;
  - Rough diamonds from producing countries involved in conflicts and that do not hold the Kimberley certification (license for the import and export activity of rough diamonds);
  
- Extraction and sale of wood  
Restrictions on financing the activity or projects for the extraction and commercialization of wood from tropical and native forests that have a negative environmental impact:
  - Illegally exploited wood;
  - Wood from forests being converted into plantations or non-forest use;

- Wood from forests in which high conservation values are threatened by deforestation activities;
- Products with forest origin from categories considered unacceptable by the Forest Stewardship Council (FSC).

## Validity and review process

The content of this document comes into force on the date of its publication or revision, and novobanco may make changes or modifications whenever it deems necessary and appropriate, and these do not produce retroactive effects.

This document was last revised in October 2023.