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.º-C of the Legal Framework of Credit Institutions and Financial Companies (“*Regime Geral das Instituições de Crédito e Sociedades Financeiras*”) as well as Articles 26-A to 26-C of the Portuguese Securities Code (*Código dos Valores Mobiliários*).

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

- Portuguese Companies Code (“Código das Sociedades Comerciais”);
- Legal Framework of Credit Institutions and Financial Companies ("RGICSF");
- Portuguese Securities Code (“Código dos Valores Mobiliários”);
- Directive No. 2013/36/EU of the European Parliament and of the Council;
- Regulation (EU) No. 575/2013 of the European Parliament and of the Council;
- Directive No. 2014/17/EU of the European Parliament and its transposition by Decree-Law No. 74-A/2017;
- Directive No. 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;
- Report on risk of conduct and mis-selling of investment products by the National Council of Financial Supervisors of 3 March 2016;
- Decree-Law No. 91/2018, of 12 November, transposition into Portuguese law of the Payment Services Directive (Directive 2015/2366/EU);
- Law No. 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;
- EBA/GL/2020/06 - Final Report Guidelines on loan origination and monitoring;
- Bank of Portugal Notice No. 3/2020;
- Bank of Portugal Instruction No. 18/2020;
- Commission Delegated Regulation (EU) No. 2021/923;
- EBA/GL/2021/04 - Guidelines on sound Remuneration Policies under Directive 2013/36/EU;
- EBA/GL/2021/05 - Guidelines on Internal Governance;
- List of significant supervised entities and list of less significant institutions of the European Central Bank.

Remuneration related regulation determines 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 promote and encourage the ethical and professional conduct of all Employees and reflect the principles of pursuing the best interests of the Bank's clients, equal treatment between clients, application of the best remuneration practices on the sale of products, and prevention of conflicts of interest. As such, corporate values, associated with actionable and measurable behaviors, are imbedded in novobanco's variable remuneration schemes, through the inclusion of performance evaluation in both bonuses and commercial incentives, promoting alignment between conduct and culture with reward systems. Furthermore, there are also risk adjustment mechanisms (Malus and Clawback) with a direct impact on variable remuneration.

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

The Bank shall ensure that the award, vesting and pay out of variable remuneration, including the application of M*alus* and *Clawback* arrangements, is not detrimental to maintaining a sound capital base. For such purpose the Bank shall take into account its overall own funds and in particular the Common Equity Tier 1 capital and the remaining capital requirements.

The Bank shall include the impact of variable remuneration – both upfront and deferred amounts – in its capital and liquidity planning and in its overall internal capital adequacy assessment process.

Variable remuneration shall not be awarded or paid out when the effect would be that the capital base of the institution would no longer be sound.

The Bank shall consider all regulatory requirements, when determining:

i) the overall pool of variable remuneration that can be awarded for that year; and

ii) the amount of variable remuneration that will be paid out or will be vesting in that year.

The level of risk the Bank is willing to assume will be aligned with the internal capital adequacy self-assessment process (ICAAP) whose methodology and governance model is available in the Market Discipline Report.

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 (when applicable), taking into account the Bank's business cycle, and the business risks;
iii) the ex-post risk adjustment mechanisms (*Malus* and *Clawback*) to avoid excessive risk-taking;

This Remuneration Policy is supplemented by the Remuneration Units Regulation the Variable Remuneration Internal Regulation (NG0022/2018) and the Regulation "Shaping the Future" plan for Key employees for the years 2022, 2023 and 2024 .

The Remuneration Policy for Members of novobanco's Management and Supervisory Bodies 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, organised into three categories:

1. Identified Staff (detailed in Section 4 of the Policy):
2. Employees assigned to business structures (to the extent they are not considered as Identified Staff as per Section 4):
3. All remaining Employees of novobanco.

Sections 3., 5.1., 5.2., 5.5. and 6 to 10 are applicable to all categories.

Sections 4, 5.2.1., 5.4.1. and 5.5. are applicable to Identified Staff (and, in the case of the last paragraph of 5.2.1., to all staff working in internal control functions).

Sections 5.2.2.and 5.4.2. are applicable to Employees assigned to business structures.

Sections 5.2.3. and 5.4.3. are applicable to all the remaining Employees of novobanco.

Novobanco will take all necessary actions so that its Financial Subsidiaries and any Branch adopt the remuneration guidelines and rules consistent with those 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.

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 this 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) which, in the case of Identified Staff, the award decision is also subject to the review and approval from the Remuneration Committee;
- 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;

- 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; subject to the review and approval of the Remuneration Committee;
- Reviewing the list of Identified Staff, at least annually, upon proposal of Human Capital Department and submitting the review to confirmation by the Remuneration Committee;
- 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.

The Executive Board of Directors shall collectively have adequate knowledge, skills and experience with regard to remuneration policies and practices as well as of incentives and risks that can arise therefrom, including with regard to the mechanisms for aligning the remuneration structure to the institutions' risk profiles and capital structure.

The Executive Board of Directors together with the General and Supervisory Board, through the Remuneration Committee and the Risk Committee and the internal risk function shall work closely together and ensure that the Remuneration Policy is consistent with and promotes sound and effective risk management.

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 this Remuneration Policy and its subsequent amendments.

3.3. Remuneration Committee

The Remuneration Committee of the General and Supervisory Board of novobanco was established pursuant to Article 6(3)(c) of its 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 amongst its own members, and the majority of its members, including the Chairman, are independent.

The Remuneration Committee must observe the long-term interests of shareholders, investors and other stakeholders. The Remuneration Committee must be prepared to make informed and independent judgments about the remuneration policies and practices and on the incentives those policies and practices have on the risk, capital and liquidity management.

The Remuneration Committee is the delegated Committee of the General and Supervisory Board responsible for remuneration and compensation related matters, in particular regarding the remuneration of the members of the Executive Board of Directors as well as Identified Staff and provides its support and advice to the General and Supervisory Board on the design of the Remuneration Policies, including the assurance that the Policy is gender neutral and supports the equal treatment of staff of different genders;

The responsibilities of the Remuneration Committee are set out in the respective Terms of Reference approved by the General and Supervisory Board.

In particular, the Remuneration Committee:

a) prepares the Bank's remuneration policies and proposes their amendments;
b) negotiates the contractual terms of agreements to be entered into with any prospective member of the Executive Board of Directors of the Bank;
c) provides consent for any proposals of the Executive Board of Directors aiming at the Bank hiring any employees with a total annual compensation higher than EUR 200,000;
d) defines annually the KPIs of the Executive Board of Directors;
e) assists the General and Supervisory Board in the preparation of the decisions related to the remuneration of the members of the Executive Board of Directors, including the total variable remuneration to be awarded to such members;
f) sets, based on the criteria defined in the Remuneration Policies for Management and Supervisory Bodies and for the Staff Members, if there is a budget for Variable Remuneration and if so, defines the maximum amount to be considered. Likewise, freely and discretionarily sets the global amount of bonus (as defined in the Remuneration Policy for Staff Members of Novo Banco) to be allocated each year to Staff Members;
g) determines annually the value of the Remuneration Units taking into account the overall performance of the Bank and other criteria;
h) prepares once a year a report regarding the annual review and assessment of the remuneration policies to be presented to the General and Supervisory Board, to the Shareholders' Meeting and to the Executive Board of Directors. This assessment is made with the assistance of the control functions of the Bank should include (i) an analysis of whether the remuneration practices and processes are in compliance with the remuneration policy and (ii) an analysis of whether the existing remuneration policy is still up to date and, if necessary, the appropriate proposals for changes;
i) assists the General and Supervisory Board and the Executive Board of Directors regarding the monitoring of remuneration processes, policies and practices and monitors the implementation of the Remuneration Policies, notably regarding the prevention of conflict of interests established in the applicable laws, regulations and guidelines;
j) supervises the remuneration of control functions (Compliance, Risk and Internal Audit), providing, whenever applicable, recommendations to the General and Supervisory Board on the definition of the remuneration package and the remuneration to be awarded;
k) reviews and confirms the identification process of the Identified Staff;
l) is responsible for reviewing and agreeing the remuneration decisions from the Executive Board of Directors regarding the remuneration of the Identified Staff (as defined in the Remuneration Policy for Staff Members of Novo Banco);

m) collaborates with other committees whose activities may have an impact on the drafting and the correct functioning of remuneration policies and practices;
n) coordinates the proper involvement of the relevant internal structures (e.g., the Risk Committee and the Compliance Committee) and departments (e.g. human capital, legal, compliance and risk) within their respective areas of expertise and, where necessary, obtains external advice;
o) assesses the mechanisms and systems adopted to ensure that the remuneration systems take into due account all types of risks as well as levels of liquidity and own funds, that the global remuneration policy is consistent with and promotes sound and effective risk management and is in harmony with the institution's corporate strategy, objectives, culture and business values and the institution's long-term interests;
p) assesses the achievement of performance targets related to the variable remuneration paid by the Bank and the need for ex post risk adjustment, including the application of malus and clawback arrangements;
q) analyses a set 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 based on actual risk outcomes;
r) ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level (higher than 100% up to 200%) of the ratio between variable and fixed remuneration;
s) receives and reviews annual information from the Compliance function related with the distribution of financial products, mortgage credit, payment services and insurance products to clients, in order to consider this information in the proposals or decisions related with the remuneration of Staff Members;
t) monitors the decision remuneration process of the financial subsidiaries' management and supervisory bodies and identified staff;
u) any other duties assigned to the Committee pursuant to the remuneration policies and applicable laws and regulations.

The Remuneration Committee shall have a general oversight and challenging role regarding all remuneration matters, policies and procedures across the Bank and shall (i) have access to all data and information concerning the decision-making process at the Bank on the remuneration policies and practices design and implementation, oversight and review, and (ii) have unfettered access to all information and data from independent control functions, including risk management and shall ensure the proper involvement of the independent control and other relevant functions (e.g. human resources, legal and strategic planning) within the respective areas of expertise and where necessary seek external advice.

3.4. Other Board Committees

The Risk Committee shall examine whether incentives provided by the remuneration policies and practices take into consideration the Bank's risk, capital, liquidity and the likelihood and timing of earnings and are aligned to the overall risk appetite framework, and for this purpose:

- to ensure that the Remuneration Committee benefits from the perspective of the Risk Committee, matters related to remuneration and risk that is included in the Remuneration Committee's agenda shall also be added to the Risk Committee's agenda where deemed appropriate;
- A member of the Risk Committee might participate in the meetings of the Remuneration Committee at the request of the Remuneration Committee;
- Members of the Remuneration Committee may also participate in the meetings of the Risk Committee at the request of the Risk Committee when assessing the impact on the Remuneration policies and procedures of the Bank.
- In addition to the above, the Risk Committee shall assess and provide an opinion on the definition of the risk function unit's objectives and those of its head (KPIs), the evaluation of how these objectives were achieved, and the variable remuneration of the head of the risk function.

The Financial Affairs and Audit Committee (FAAC) and Compliance Committee shall examine whether the remuneration policies and awards made pursuant to them may affect the institution's compliance with applicable regulation, internal policies and risk culture. For this purpose:

- to ensure that the Remuneration Committee benefits from the perspective of the FACC, and Compliance Committees, matters related to remuneration and compliance issues that is included in the Remuneration Committee's agenda shall also be added to the FACC, and Compliance Committee's agenda where deemed appropriate;
- A member of the FACC, and Compliance Committees might participate in the meetings of the Remuneration Committee at the request of the Remuneration Committee;
- Members of the Remuneration Committee may also participate in the meetings of the FACC, and Compliance Committee at the request of those committees when assessing the impact on the Remuneration policies and procedures of the Bank.

In addition to the above, the FACC, and Compliance Committees shall assess and provide an opinion on the definition of the objectives of the compliance and audit function units and those of their respective heads (KPIs), the evaluation of how these objectives were achieved, and the variable remuneration of the aforementioned heads of the compliance and audit function units.

3.5. Other functions

The Remuneration Policy should provide for an effective framework for performance measurement, risk adjustment and the linkages of performance to reward.

Risk and compliance functions should provide effective input in accordance with their roles into the performance criteria and remuneration awards, especially in situations when those functions have concerns on the impact on staff behaviour and the levels of risk of the activities undertaken.

The remuneration of the Heads of the Control Functions, including the risk management, compliance and audit functions, shall be directly overseen by the Remuneration Committee.

All competent corporate functions and bodies applicable input will be taken into account on the design, implementation and oversight of this Remuneration Policy.

In particular:

- The **human capital function** shall (i) participate in and inform on the preparation and evaluation of the Remuneration Policy, including the remuneration structure, the aspect of gender neutrality, remuneration levels and incentive schemes, in a way that would not only attract and retain the staff the institution needs but also ensure that the Remuneration Policy is aligned with the institution's risk profile (ii) propose to the Executive Board of Directors a list of Employees that are to be classified as Identified Staff, and its annual update.
- The **risk management function** shall assist with and inform on the definition of suitable risk adjusted performance measures (including *ex post* adjustments), as well as with assessing how the variable remuneration structure affects the risk profile and culture of the institution. This function shall also validate and assess risk adjustment data.

  The risk management function is constantly involved in supporting the Human Capital function in the definition of the remuneration policy, incentive system and compensation processes for risk related components and in the identification of risk objectives, for the performance appraisal as well as for the assessment process to define the Identified Staff population, in order to ensure the correct setting of the incentive mechanisms respecting the Risk Appetite Framework, and the validation of performance and pay, so that incentives are aligned to risk taking and management.

  In particular, the Risk Management function shall:

  a) Participate in the annual setting and identification of Identified Staff;
  b) Participate in the risk alignment process of the remuneration policies and procedures, including: the bonus pool setting and the definition of its risk ex-ante factors, the definition of performance KPIs; performance and risk measurement process; the award process; and the pay-out process.
  c) Approve and propose any quantitative and qualitative criteria for risk adjustment of the variable remuneration, at Bank, Unit and Individual level, and suggest to the Remuneration Committee an annual set of risk related metrics, aligned with the Bank's strategy and with the Bank Risk Appetite Framework;
  d) Participate in assessments related to the potential application of ex-post risk measures including malus and clawback;
  e) Participate in the centralized and independent annual review promoted by the Remuneration Committee (see section 9) to assess the overall remuneration policies, practices and processes;
  f) Be present at meetings of the Remuneration Committee where the Bank's policies and procedures are discussed and/or when matters related to remuneration and risk related matters are discussed.

- The **compliance function** shall analyse how the Remuneration Policy may affect the institution's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the Compliance Committee. The findings of the compliance function shall be considered during the approval, review procedures and oversight of the Remuneration Policy.

  In particular, the Compliance function shall:

  a) Participate in the annual setting and identification of Identified Staff;

b) Participate in the risk alignment process of the remuneration policies and procedures, including: the bonus pool setting and the definition of its compliance risk ex-ante factors, the definition of performance KPIs; the performance and risk measurement process; the award process; and the pay-out process.
c) Approve and propose pre-award adjustments (for ex-ante risk alignment) on compliance-related metrics (i.e. for KPI setting), and post-award adjustments (i.e. for ex-post risk alignment or clawback) for compliance-related issues;
d) Participate in assessments related to the potential application of ex-post risk measures including malus and clawback, contributing to the definition of suitable ex-post measures and activation principles or criteria related to compliance-specific issues, monitor conduct issues to identify misconduct events;
e) Participate in the centralized and independent annual review promoted by the Remuneration Committee (see section 9) to assess the overall remuneration policies, practices and processes;
f) Be present at meetings of the Remuneration Committee where the Bank's policies and procedures are discussed and/or when matters related to remuneration and risk related matters are discussed.

- The **Internal Audit function shall,** besides other tasks assigned to it in this policy, carry out periodic and independent review of the design, implementation and effects of the institution's remuneration policies on its risk profile and the way these effects are managed.
- The **legal function** shall provide all the legal support that is requested by the Executive Board of Directors and the Remuneration Committee in the performance of its respective duties, in particular assist in the preparation and review of the remuneration policy.

3.6. 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 subsequent approval by the General and Supervisory Board.

4. Classification of Identified Staff

The Executive Board of Directors is responsible for approving the Identified Staff List, which correspond to those Employees who are not members of the management and supervisory bodies of the Bank and whose professional activities have, as per the applicable legislation, a significant impact on the Bank's risk profile ("Identified Staff"), based on a proposal of the Human Capital Department. The list proposed by the Human Capital Department includes a previous assessment of the risk management and compliance functions and is subsequently discussed and approved by the Executive Board of Directors.

After the approval of the Executive Board of Directors, the list of Identified Staff shall be immediately informed, reviewed and confirmed by the Remuneration Committee.

The identification process determines the roles and responsibilities of each function.

In particular:

a) The Human Capital Department leads the identification process defining a consistent approach through specific guidelines;
b) The Risk Management function, within the overall identification process initiated by the Human Capital Department, leads the identification of the material business units (with material impact on the institution's risk profile) according to risk related regulatory criteria. The Risk Committee shall be informed of the conclusions of the assessment of the risk management function;
c) The Compliance function verifies the consistency of qualitative and quantitative criteria with the applicable regulation, in particular the Commission Delegated Regulation(EU) 923/2021, and any remaining regulatory requirements.

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, additional selection criteria that reflect the risk levels of the different activities in the institution and the impact of employees on the risk profile may be defined.

The definition of the mapping criteria for the Identified Staff shall take into account the applicable regulations and be submitted by the Human Capital Department for approval of the Executive Board of Directors. The identification process and its result should be subject to an independent internal or external review.

The Identified Staff of novobanco are the following:

a) The Senior Management ("*Direção de Topo*"): this category includes the Coordinating Officers ("*Diretores Coordenadores*") and Management Officers ("*Diretores*") who are primarily responsible for any Department or area of the Bank, all of whom are directly responsible, and accountable, to the Executive Board of Directors;
b) Staff members with managerial responsibility over material business units;
c) Internal Control Functions: Heads of the Control Functions of the Bank (Compliance, Internal Audit, and Risk);
d) Other staff members whose professional activities have a material impact on the Bank's risk profile, pursuant to Article 5 of the Delegated Regulation (EU) No. 2021/923 (qualitative criteria); and
e) Other staff members whose professional activities have a material impact on the Bank's risk profile pursuant Article 6 of the Delegated Regulation (EU) No. 2021/923 (quantitative criteria).

Even though a staff member falls within the categories above, it is possible to establish on the basis of additional objective criteria that the activities of such staff member do not have, or no longer have, a material impact on the Bank's risk profile, taking into account all risks to which the institution is or may be exposed. If and when such is the case, the staff member will not be included or will be excluded from the category of Identified Staff.

Any exclusion shall also be approved by the Executive Board of Director and reviewed and confirmed by the Remuneration Committee, upon a proposal of the Human Capital Department, with the previous assessment of the Risk Management and Compliance functions.

For the purposes of this Remuneration Policy, only employees included in the list of Identified staff shall be deemed to be Identified Staff.

The list of Identified Staff should be reviewed on an annual basis by the Human Capital Department, together with the risk management and compliance functions and proposed to the Executive Board of Directors for evaluation and approval. Notwithstanding, the Human Capital Department should propose its 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 such cases, the procedure indicated above.

The Human Capital Department will communicate to each person of List of Identified Staff its Identified Staff status for the purposes of this Remuneration Policy, providing all necessary information and clarifications regarding this status and is responsible to communicate the list and its updates to the Bank of Portugal.

5. Categories of Remuneration

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. 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 a right to the fixed remuneration is therefore guaranteed.

The remuneration of independent control functions (including the proportion of fixed vs variable remuneration, as well as the base for determining the variable component) should reflect the nature of their specific objectives, be independent of the performance of the other units of the Bank, ensuring independence from business objectives, under the terms of applicable legislation.

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;

The table below describes the several components that are considered as 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 I - 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 *("IHT")*	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).

In addition, in compliance with the provisions of the law and the ACT, novobanco attributes other benefits or amounts to its Employees, notably:

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 inand expat allowances and other equivalent;
g) Children's and study allowances.

5.2. Variable Remuneration

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

Variable remuneration is decided by the Bank, to the extent the Bank has a sound base of own funds at a given time and also to the extent is consistent with and promote sound and effective risk management, 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 5.3 (Risk Adjustment Mechanisms).

When variable remuneration is awarded to novobanco's Employees it is decided on a freely and discretionary basis, is dependent on the verification of the requirements 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 indicators (KPIs) and skills defined by the Bank.

There are four base types of variable remuneration for Employees in novobanco:

a. **Bonus:** to be awarded freely and upon verification of certain conditions defined in this Policy and based on 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**: corresponds 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, offered for a limited period of time and within the limits and conditions permitted by law for monetary and non-monetary incentives.

d. **Retention bonuses**: retention bonus reflected in cash and, if applicable, Remuneration Units payments which are aimed at certain eligible key employees, and whose benefits will be paid if the permanence and other requirements are met (including those defined in the applicable law and relevant regulation).

Additionally, variable remuneration may also consist of severance payments, and/or "sign-on bonus/welcome bonus", to the extent the Bank has a sound base of own funds at a given time and also to the extent is consistent with and promote sound and effective risk management.

The variable remuneration in the form of a "sign-on" or a "welcome bonus" may only be awarded and fully paid once and during the first year of the employee's admission to the Bank, in accordance with applicable law and remuneration guidelines and policies. The amount of guaranteed variable remuneration shall not be included in the calculation of the ratio between the variable and fixed components of the total remuneration for the first performance period, where the guaranteed variable remuneration is awarded when hiring new staff before the first performance period starts. The requirements on malus and clawback arrangements shall also not be applied to guaranteed variable remuneration, and the full amount may be paid in non-deferred cash.

In case of a remuneration being granted as compensation or for the buyout of a previous contract where the deferred variable remuneration of the staff member was reduced or revoked by the previous employer because of the termination of the contract, all requirements for variable remuneration apply, including deferral, retention, pay out in instruments and clawback arrangements.

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

In addition, the variable remuneration of Employees (irrespectively of the category foreseen in Section 2 to which they belong) 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. are involved in the preparation, marketing, and concession of consumer credit agreements;
c. are involved in the preparation, marketing or offer of deposits or payment services;
d. are involved in the sale and marketing of insurance products; and
e. are employees who directly and indirectly supervise the teams in all the aforementioned activities;

shall comply with the following principles:

a) As a guiding principle, the variable remuneration should be designed in a way that does not harm or conflict with the staff´s duty to act in the best interests of the Bank´s clients. The remuneration policy shall ensure that sales targets or otherwise do not provide an incentive for making the Bank´s or the Staff member's interest prevail over the client´s interest, and namely do not constitute an incentive to recommending a particular product to a client when the Bank could offer a different product instrument which would better meet that client's needs.
b) 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;
c) 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;
d) 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;

e) 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;

f) Remuneration policies and practices applicable to Employees, and in particular Identified Staff engaged in credit granting, credit administration and monitoring, should be consistent and not provide incentives for risk taking that exceeds the tolerated risk of the Bank, and should be aligned with the business strategy, objectives and long-term interests of the Bank.

g) 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.

5.2.1. 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 award, vesting and payment 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.

The Bank shall set annually a bonus pool. When determining the bonus pools or individual awards, all current risks, expected losses, estimated unexpected losses and stressed conditions associated with the Bank's activities will be considered.

Bonuses shall be awarded after the end of the financial year.

The variable remuneration of Identified staff should be aligned to all risks and the performance of the institution, the business unit and the individual. The relative importance of each level of the performance criteria should be determined beforehand in the remuneration policies and its internal regulation and adequately balanced to take into account the objectives at each level, the position or responsibilities held by the staff member, the business unit in which he or she is active and current and future risks.

Current and future risks will be taken into account, whether on or off balance sheet, differentiating between risks relevant to the institution, business units and individuals. Measures for the risk alignment of remuneration where an exact quantification of the risk exposure is difficult will also be used, such as reputational and operational risk. In such cases, the risk assessment shall be based on suitable proxies, including risk indicators, capital requirements or scenario analysis.

The Performance Indicators 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 (*ex ante and ex post).*

The variable remuneration of the Identified Staff who hold internal control functions, as well as all other staff who works in those 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.

The remuneration of the Heads of the Risk Management, Compliance and Internal Audit functions shall be directly overseen by the Remuneration Committee that should make recommendations to regarding the design of the remuneration package and amounts of remuneration to be paid to the senior staff members in the control functions.

The Bank will maintain records on how the bonus pool and staff's remuneration were determined, including how estimates based on different approaches were combined.

5.2.1.1. Bonus

The following rules shall apply to the assignment of Bonuses:

a. The bonus is assigned on a freely and discretionary basis and provided that the following cumulative conditions are met: (i) the Bank has positive operating results in the year the variable remuneration is related to; (ii) the award is consistent with sound and effective risk management practices; and (iii) the award of variable remuneration do not limit the Bank's ability to strengthen and maintain the sound capital base;
b. Deferred portions of variable remuneration may only be paid if this does not limit the Bank's ability to strengthen and maintain a sound capital base;
c. The Bonus is not contractually or otherwise guaranteed, so no Employee shall expect its award or vesting or assume the payment of any portion;
d. The total budget for Bonuses to be assigned each year to Employees shall be freely and discretionary and set by the Remuneration Committee;
e. The Bonuses or their deferred portions shall only be paid on the respective dates (March/April following the year of reference, i.e., the year to which the Bonus relates to), provided that the conditions mentioned in a) and b) above are considered to be met and if justified in light of the performance of the Bank, the Department and the individual performance of the Employee;
f. A retention period of 12 months is applicable to the Variable Remuneration awarded in Remuneration Units;
g. If the employment contract is not in force on the date of payment of a portion, the Identified Staff employee shall be entitled to the deferred portions of the Bonus under the terms and within the limits defined in the section on rules in case of exit situations;
h. The Bonus assigned may not exceed 100% of the annual Fixed Remuneration component for each Employee, unless otherwise pre-approved by the General Shareholders' Meeting and in accordance with the applicable regulation;
i. 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 in the variable remuneration Internal

Regulation (NG0022/2018); the decision to assign Bonuses to Identified Staff shall be made by the Remuneration Committee, based on a proposal from Executive Board of Directors.

At the beginning and at the end of each year, the Remuneration Committee will set and review the budget for the total variable remuneration related to such year for Employees (under section 5.2.). This setting and review will be based on that year's operating results of the Bank and considering all current risks and expected losses. The budget for the variable remuneration of Employees will be reviewed, discussed and agreed upon by the Remuneration Committee with the Executive Board of Directors prior to its approval. It is up to the Executive Board of Directors to define the criteria / rules for the assignment of Bonuses among Employees, to be approved by the Remuneration Committee after consulting with the risk management and compliance functions.

Employees that are Identified Staff shall not transfer the downside risks of variable remuneration to another party through hedging or certain types of insurances. This requirement is applicable to deferred and retained variable remuneration.

5.2.1.2. Severance to Identified Staff

Any severance payments to Identified Staff will be determined by the Remuneration Committee and approved by the Executive Board of Directors.

Severance payments must reflect performance achieved over time and must not reward failure or misconduct, and should not be awarded where there is an obvious failure which allows for the immediate cancellation of the contract or dismissal with cause – “justa causa” under Portuguese Law.

The Bank shall in any case be able to demonstrate to the competent authority the reasons for the severance payment, the appropriateness of the amount awarded and the criteria used to determine the amount, including that it is linked to the performance achieved over time and that it does not reward failure or misconduct.

Severance payments shall be considered as variable remuneration. However, severance payments should in the following circumstances not be taken into account for the purpose of the calculation of ratios and for the application of deferral and the pay out in instruments:

a) severance payments mandatory under national labour law or mandatory following a decision of a court;
b) severance payments under (i) and (ii) below where the institution is able to demonstrate the reasons and the appropriateness of the amount of the severance payment:

   (i) severance payments calculated through an appropriate predefined generic formula set according to the applicable regulation;

   (ii) severance payments corresponding to the additional amount due in application of non-competition undertakings contractually agreed and paid out in future periods, up to the amount of the fixed remuneration which would have been paid, for the non-competition period;

c) severance payments where the Bank has demonstrated to the competent authority the reasons and the appropriateness of the amount of the severance payment.

5.2.1.3. Form of Payment

The variable remuneration assigned to the Identified Staff shall be paid subject to the applicable rules which require that a certain proportion of the variable remuneration is paid in instruments, as well to those that impose a deferral and retention periods.

a) Deferral and thresholds

40% of the variable remuneration (including both the cash and the remuneration units' components) awarded for each year will be subject to a deferral period of five years for Senior Management and four years to Other Identified Staff. Accordingly, 60% of the variable remuneration awarded for each year will vest in the year of the award (i.e. 30% attributed in cash and 30% attributed in remuneration units') and the remaining 40% of the variable remuneration (i.e. 20% attributed in cash and 20% attributed in remuneration units') will vest on a pro-rata basis over the applicable deferral period which begins at the year of award (i.e., considering a Senior Management Employee, 60% of the award amount vests in year N and the remaining 40% will proportionately vest in N+1, N+2, N+3 N+4 and N+5, N being the year of award).

In case of particularly high amounts of variable remuneration, the proportion of deferral for such staff members should be at least 60%. Variable remuneration at or above the threshold of Euro 1 million shall always be considered as being of a particularly high amount.

b) Cash/Instruments

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

- 50% is paid in cash;
- 50% of the Variable Remuneration in 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. 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.

c) Retention

The instruments to which the deferral rule above applies will be subject to a Retention Period of 12 months from the vesting date of the award.

d) Exclusion

The paragraphs above (5.2.1.3 a), b) and c) shall not be applicable to Identified Staff whose annual variable remuneration does not exceed EUR 50 000 and does not represent more than one third of the staff member's total annual remuneration.

5.2.1.4. Retention Plans

Retention plans are variable remuneration retention bonus consisting in cash and remuneration units' payments which are aimed exclusively at eligible employees that are Identified Staff and whose benefits will be paid if the permanence requirements are met, as defined in the relevant regulation. If this retention plans may lead to an Identified Staff member receiving a variable remuneration exceeding 100% of his/her annual fixed remuneration, the approval of such higher maximum level of the ratio between the variable and the fixed component of remuneration, up to a limit of 200%, is subject to a Shareholder's Meeting resolution under the terms set out in RGICSF and the EBA Guidelines.

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

Payment of retention plans bonus will be made provided that the relevant conditions are met and will be subject to the deferral rules set in this subclause and to the risk adjustment mechanisms described in section 5.3 of this Remuneration Policy.

5.2.2. Variable remuneration for Employees Assigned to Business Structures:

5.2.2.1. 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 Commercial 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 Commercial Incentive Programme are excluded from Bonus payments;
d. Payments under Commercial Incentive Programme are made on a quarterly basis following performance reviews made by reference to each quarter and annual performance. 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 Commercial Incentive Program (SOI) will be an aggregate of *Commercial Performance, Quality Indicator*, and *Compliance Indicator*;
f. For calculation purposes:
   i. Each function has a reference incentive applied to each employee independently of his/her fixed remuneration;
   ii. In each moment of evaluation, only commercial performances of 90% or more are eligible for commercial incentives;
g. Full details of the Commercial Incentive Programme and its calculation method will be published in a separate document (NG0022/2018);
h. The payments under the programme are subject to risk adjustment mechanisms as described in section 5.4 of this Remuneration Policy;
i. Commercial Incentives are not contractually or otherwise guaranteed. Therefore, no employee can take them as guaranteed.

5.2.2.2. 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 will be set up. Nonetheless, if in the near future a campaign is set up for the Employees who are involved in the preparation, marketing, advice and concession of consumer mortgage credit agreements, and all the Employees who directly or indirectly supervise them, irrespectively of the category foreseen in Section 2 to which they belong, the following rules will apply:
    i. The Commercial Campaign shall ensure compliance with the obligation set out in article 74 of RGICSF;
    ii. The Commercial Campaign (i) is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Bank and (ii) is in line with the business strategy, objectives, values and long-term interests of the Bank;
    iii. The Commercial Campaign incorporates measures to avoid conflicts of interest, in particular by providing that remuneration is not directly or indirectly contingent on the number or proportion of applications accepted, of credits agreements that were entered into or any other sales targets;

c. Commercial 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. Commercial Campaigns are s exclusive of 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.

5.2.3. 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 5.2.1.1 of this Remuneration Policy, as applicable, and by the rules set out in the Variable Remuneration Internal Regulation (NG0022/2018).

The variable remuneration awarded for these Employees shall be paid until April of the year following the appraisal, or otherwise as established, provided that the respective employment contract is in force on the date of payment.

5.3. Risk Adjustment Mechanisms

The Bank may apply risk adjustment mechanisms to the total variable remuneration 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.

5.3.1. Rules for *Malus* and *Clawback* application

5.3.1.1. Application to Identified Staff

The abovementioned mechanisms are applicable to the total variable remuneration of the Identified Staff (including compensations for the buyout of a previous contract), during the deferral periods, and following an extremely significant event that may be attributable to an Employee.

Before any award is decided, the human capital function shall consult with the internal control functions, as well as with legal function, in order to determine whether there are any signs of the situations which, as per the criteria below, may trigger a *malus* or *clawback* application. In case such consultation determines the existence of such signs, the situation shall be reported by the human capital function to the Remuneration Committee.

The Remuneration Committee and the Executive Board of Directors, with the assistance of the risk and compliance functions, 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, considering the Consequence Management Framework and other relevant external or internal regulations and based on a proposal of the Remuneration Committee, the Executive Board of Directors should decide whether the *Malus* or *Clawback* mechanism is applicable.

Malus or *clawback* arrangements are explicit ex post risk adjustment mechanisms where the Bank adjusts remuneration of the Identified staff member (e.g. by lowering awarded cash remuneration or by reducing the number or value of instruments awarded).

The Bank shall apply malus or clawback arrangements to up to 100% of the total variable remuneration regardless of the method used for the payment, including deferral or retention arrangements.

Malus or clawback will be applied to Identified Staff as long as there are deferral and retention periods in course. Clawback should in particular be applied in the case of fraud or other conduct with intent or severe negligence which led to significant losses. Clawback adjustments may be applied to total variable remuneration of specific years of which the final instalment was paid within the past two years.

The specific following criteria, among others, shall be used to assess the application of malus and/or clawback:

a. evidence of misconduct or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risks);
b. whether the Bank and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators) due to the actions of the staff member;
c. whether the Bank and/or the business unit in which the identified staff member works suffers a significant failure of risk management due to the actions of the staff member;
d. significant decreases in the Bank's or business unit's economic or regulatory capital base due to the actions of the staff member;
e. significant regulatory sanctions, e.g. punitive, administrative, disciplinary or otherwise, where the conduct of the identified staff member contributed to the sanction;

The process to determine the amount of the reduction or cancellation related to breaches shall be the following:

a. identification: based on the roles and responsibilities of the functions involved according to their ordinary activities; this identification is based on internal and external sources (special investigation, disciplinary sanctions, regulatory sanctions);
b. evaluation: based on the assessment of the breach materiality. The drivers of materiality assessment are:
    i. gravity of the individual conduct, including the circumstances;
    ii. nature (fraud or gross negligence) of the trigger event;
    iii. repetitiveness of the breach;
    iv. impact on financials;
    v. seniority of the individual;
    vi. organizational role;
    vii. impact on the Group external reputation (e.g. Cyber Risk, Climate Related issues, etc.);

viii. other circumstances aggravating or mitigating the reported breach. •

c. In coherence with the score assigned and the reference period of the breach, the impact on the variable remuneration is defined according to two elements:
   i. perimeter of the variable remuneration (upfront or deferred) that can be reduced/cancelled based on the applicable internal regulation (e.g. the Remuneration Units Regulation) predefined scenarios, according to the breach materiality. In case of significant breaches, fulfilling certain pre-conditions, the claw-back (return) of already paid variable remuneration may be activated;
   ii. percentage of the variable remuneration that can be reduced/cancelled and/or returned back.

5.3.1.2. 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, amongst others, 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 5.2.2.1. or 5.2.2.2. clause b) and c).

The Compliance and/or Legal Department and/or Human Capital Department shall identify such events based on internal information or information relayed by other Departments and Compliance and/or Legal Department shall inform the Human Capital Department (when not identified by 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.

5.3.1.3. Application to all Remaining Employees

The *Clawback* mechanism shall apply if and when any failure is detected in the Employee's compliance with the appropriate standards of fitness and propriety and rules applicable to the professional practice contained in laws, regulations, internal regulations or codes of conduct, according to the analysis made by the Compliance, Internal Audit and Legal Departments, and 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 Board of Directors.

5.4. Rules in case of termination of employment contracts

5.4.1. 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 Employee shall be entitled to receive all the deferred portions of Bonus awarded and any other type of variable remuneration awarded, subject to the Remuneration Policy, the 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 Employee shall not be entitled to any deferred portion of Bonus, or any other type of variable remuneration awarded and without prejudice to the application of any *Malus* or *Clawback* adjustment.

5.4.2. 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, or any other type of deferred variable remuneration awarded.

5.4.3. 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 and any other type of variable remuneration awarded, subject, however, to the application of *Malus* or *Clawback* on the respective dates specified for payment.

5.4.4. Rules in case of death or incapacity of the Employee

In case of death of an Employee, the right to any deferred portions of the variable remuneration, as well as the right to vested portions which have not yet been paid out, do not expire and are transferred to the Employee’s successors. The right to deferred portions of variable remuneration transferred to the Employee’s successors will continue to be subject to the applicable malus or clawback adjustments and will vest and be paid out on the dates on which such portions are to be vested and in accordance with the rules defined above.

As an exception to section 5.4.2., in case an Employee becomes unable to fulfil his role, the non-expiry rule foreseen above will be applicable.

5.5. 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 conditions: 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, and besides what is foreseen in sections 5.2. and 5.3., 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. Not to promote 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. Any Employee shall inform the Compliance Department if, a conflict or a potential conflict of interests arises in relation to this Policy, in accordance with Internal Policies, namely those referred to in the following paragraph.

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 Interests Policy, Related Party Transactions Policy, as well as the Articles of Association of novobanco.

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

- Of any communication received about conflicts of interests related to the Remuneration Policy and its assessment;
- Of any situation detected in which the Employee's obligation to inform the Compliance Department of a conflict or potential conflict of interests' 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.

A gender neutral Remuneration Policy should ensure that all aspects 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.

The gender neutrality of the Bank's Remuneration Policy involves also non gender discrimination in terms of access to career opportunities and prospects, allowing the Bank to adopt reasonable and balanced measures to pursue this goal.

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 within a maximum period of thirty days.

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

9. Record Keeping, Review and Update

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

This Policy is supplemented by the Remuneration Units Regulation, the Consequence Management Framework and 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 five years.

The Bank, through the Remuneration Committee and with the support of the Human Capital, Risk Management, Compliance and Internal Audit function, shall perform an annual centralized and independent review to assess the overall remuneration policies, practices and processes. Such review shall also include an analysis of whether the Remuneration Policy is gender neutral, including monitoring the development of the gender pay gap. Where material differences between the average pay of male and female staff or male and female exist, novobanco should document the main reasons and take appropriate action where relevant, or should be able to demonstrate that the difference does not result from a Remuneration Policy that is not gender neutral.

As part of the central and independent internal review, the Bank will assess whether the overall remuneration policies, practices and processes:

a) operate as intended (in particular, that approved policies, procedures and internal rules are being complied with; that the remuneration pay outs are appropriate, in line with the business strategy; and that the risk profile, long-term objectives and other goals of the institution are adequately reflected);
b) are compliant with national and international regulations, principles and standards; and
c) are consistently implemented across the group, and do not limit the Bank’s ability to maintain or restore a sound capital base.

The result of such centralized review shall consist of a report on the annual review and assessment of this Policy that shall be prepared once a year by the Remuneration Committee and submitted to the Shareholders' Meeting, the General and Supervisory Board and the Executive Board of Directors.

Where periodic reviews reveal that the remuneration policies do not operate as intended or prescribed or where recommendations are made, the Remuneration Committee shall ensure that a remedial action plan is proposed, approved and timeously implemented. The results of the internal review performed, and actions taken to remedy any findings shall be documented, either through written reports or through the minutes of the meeting of the relevant committees of the General and Supervisory Board, and made available to the relevant committees and relevant corporate functions The Executive Board of Directors is responsible, within the scope of its functions, for implementing the actions set out in the report.

Additionally, a centralized review of compliance with the regulation, group policies, procedures and internal rules should be performed annually by the internal audit function.

The Internal Audit function shall cover on an annual basis the remuneration processes, policies and practices, ensuring a comprehensive coverage under a multi-year approach of all key aspects of the overall remuneration process such as, among others, bonus pool setting, risk alignment process (ex-ante and ex-post adjustments), identification of material risk takers, pay-out process and practices (in particular the application of deferrals), consequence management.

10. Final Provisions

This Remuneration Policy was approved by the Executive Board of Directors on 20th February 2025, following a proposal of the Remuneration Committee and approval 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.