




# SUSTAINABILITY POLICY



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# 01 INTRODUCTION

This document defines novobanco Group's sustainability policy on core Environmental, Social and Governance (ESG) topics material to the bank, its commitments and guiding principles.

In this context, novobanco takes a two-tiered approach:

- **In its banking activity:** supporting, on the one hand, customers on their sustainability journeys, financing and supporting investment aimed at the energy transition, promoting the circular economy, the production of a low carbon economy and/or that has environmental considerations and social and, on the other hand, responding to customers who seek for their financial assets financial products with ESG features – and
- **In its internal management:** minimizing ESG risks to people and the planet

Through this approach, novobanco sets the important goal of becoming a reference ESG - leading Company in Portugal.

# C Context

Current times pose new challenges. Sustainability-related topics are on the world's agenda, and containing global warming is an imperative of our times. If global warming continues at the current rate, the world will face irreparable losses to nature and biodiversity, significant sea level rise and more frequent extreme weather events. Furthermore, the Covid-19 pandemic declared by World Health Organization (WHO) in March 2020, has brought with it additional socio-economic pressures and challenges.

The novobanco Group (hereafter novobanco) is aware of the important role of the financial sector in the current context. This is a crucial moment, which implies the adoption of a structured approach, to face all the environmental and social challenges in the transition to a sustainable and low carbon economy. In parallel, the growing applicable financial sector regulation such as the EU Taxonomy, the ECB guidelines or the TCFD (Task Force on Climate-related Financial Disclosures) recommendations constitute opportunities and driving forces for change through the adoption of an effective and ambitious strategy.

Under this premise, novobanco has voluntarily taken on certain sustainability / ESG-related commitments that surpass its legal obligations toward its stakeholders, substantiating the role of novobanco in society and its impact on its stakeholders, especially clients and employees.

These commitments will address minimizing the direct environmental impact the bank's operations, supporting its individual and commercial clients in the transition to a more sustainable and low carbon economy, as well as generating a positive impact on society contributing to socially sustainable and inclusive growth.

novobanco will transition its business model, gradually integrating ESG concerns and risks in its overarching strategy and management frameworks, ensuring alignment with EU climate Action directives, the European Climate Pact and the commitment undertaken by the European Union under the Paris Agreement.

# 02 SCOPE AND DEFINITION

novobanco Sustainability Policy, commitments and guiding principles outlined within it, apply across the Group, to all novobanco activities, products and services in Portugal, as well as to all its suppliers and third parties it engages with.

The purpose of novobanco's Sustainability Policy is to set out the following overarching commitments:

- **Including Climate Change and other relevant ESG** topics identified as a result of a context and materiality analysis
- **Integrating sustainability and ESG issues and risk factors** in the bank's overarching strategy, business model and risk management
- **Implementing a culture and practice that encourages the transition to a sustainable economic and social development model**, that encourages responsible growth, job creation, valuing people and respect for the environment, including the promotion of sustainable financing and the incorporation of the environmental aspect in the offer of products and services

- **Good governance and management of material ESG issues** across all levels of the business
- **Accurate and transparent reporting of activity with a sustainability lens**, making the bank's stance on the issue clear to both internal and external stakeholders
- **Continued adherence and championing of national and international conventions and initiatives related to sustainability**
- **Upholding the Principles of Relationship with Suppliers** already in place

Each of the above commitments has guiding principles that underpin and operationalize the commitment.

In order to monitor trends, adopt best practices and communicate externally its commitment to sustainability, novobanco participates and integrates sustainability-related international conventions, initiatives and protocols, such as:

- **United Nations Global Compact (UNGC):** United Nations Initiative based on 10 fundamental principles of human rights, labor practices, environmental protection and anti-corruption
- **BCSD Portugal:** Association that brings together and represents leading companies in Portugal that are actively committed to the transition to sustainability

- **Fórum Organizações para a Igualdade:** Forum of companies committed to strengthening and highlighting organizational culture of social responsibility, incorporating, in the strategy and management models, the principles of equality between women and men at work and in employment
- **Target Gender Equality (TGE Portugal):** Program that promotes balance in business leadership, from executive boards to managers, driving business action in favor of SDG5 and Target 5 in particular, calling for women's full participation and realization of equal opportunities for leadership by 2030
- **Letter of Commitment for Sustainable Financing in Portugal:** novobanco is a signatory of this initiative that aims to contribute to the promotion of sustainable investment practices
- **Business Ambition for 1.5 °C:** novobanco is a signatory of this charter, that encourages companies worldwide to create and implement measures to combat climate change

novobanco is also a Portuguese Banking Association member, the main entity that, in Portugal, represents the banking sector and where ESG and sustainable finance matters are monitored at sector level.

The commitments and guiding principles of this policy do not affect the commitment to comply with legislation and relevant legal obligations applicable within the scope of novobanco's operations.

The Sustainability Policy is complemented by other novobanco policies, including the Human Rights Policy, Non-Discrimination and Equal Opportunities Policy and the Code of Conduct, among others, which are available on the bank's website.

# 03 GOVERNANCE

novobanco recognizes that developments in terms of sustainability must also follow good governance and an organizational model that guarantees the success of their implementation, ensuring accountability, mobilization and alignment. Under this premise, novobanco has undergone a revision of its governance model regarding sustainability issues. As ESG becomes more integrated in the business, the bank has a structure that is all-encompassing across multiple bodies; it includes the participation of elements of the Executive Board of Directors (EBD) and General and Supervisory Board (GSB), as well as multiple departments within the bank and other groups companies in the Sustainability Steering created for this purpose. This ensures the coordination and exclusive dedication to sustainability-related themes.

The sustainability responsibilities appointed under this structure to existing roles within the Bank include:

- **A dedicated department responsible for coordinating** novobanco's ESG approach
- **Specific competencies and responsibilities allocated to the relevant departments**, with appointed representatives who, with the support of a specific training/development plan, will ensure the integration of ESG into novobanco's activities

Besides allocated roles and responsibilities, novobanco commits to investment in training in sustainability-related matters of senior management and directors through specific training programs tailored to novobanco's strategic priorities. Institutional training will also be rolled out, so that all employees have the adequate information on sustainability-related issues.

novobanco is also committed to the integration of ESG factors in variable remuneration, ensuring an alignment of the company's management with the implementation of the Sustainability Commitments and Guiding Principles.



# Our ESG Priorities

## SUSTAINABLE BUSINESS

Robust Financial Performance

Sustainable Operations

Responsible Investment

## SOCIAL AND FINANCIAL WELL-BEING

Well-being, Diversity and Inclusion

Customer Experience

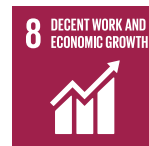
## RESPONSIBLE BANKING

Transparent and Robust Governance Model

Equity and Gender Equality

Financial and Digital Inclusion

Positive impact on Economy



# 04 SUSTAINABILITY COMMITMENTS AND GUIDING PRINCIPLES

Having assumed the important goal of becoming an ESG reference bank in Portugal, integrating sustainability into its business model, novobanco defined a set of commitments and guiding principles that embody the essential ESG topics for the group – identified through analysis of context and materiality – and support its Sustainability Strategy and the Commitments and Ambition of its Social Dividend model.

## 4.1 Environment

novobanco is committed to protecting the environment, contributing to the construction of a greener society and to the achievement of the international commitments such as the Paris Agreement. Under this premise, the Bank endeavors to account for and minimize the impact to the environment of its internal operations and banking and investment activities.

# Sustainable operations

novobanco commits to the adoption of internal environmental management practices that reduce the direct environmental impact from its activities namely:

- Replacing paper use with digital
- Monitoring and reducing carbon emissions of its facilities and direct activities
- Measuring and controlling water consumption, among other utilities and resources
- Measuring and properly managing the waste produced and its disposal, including electronic waste

SUSTAINABLE DEVELOPMENT GOAL	MATERIAL ISSUES
13 CLIMATE ACTION 	<ul style="list-style-type: none"><li>• Bank's financial performance</li><li>• Innovation and digitalization</li></ul>

## Guiding principles

to further meet and operationalise this commitment:

- **Promote continued reduction of paper consumption**, becoming increasingly digital and promoting a “paperless” culture
- **Reduce consumption of electricity**, proceeding with the implementation of energy efficiency measures
- **Use renewable electricity** through installation of photovoltaic panels in NB facilities whenever possible or through renewable electricity procurement
- **Set Business Ambition for 1.5 °C** – SBT (Science Based Targets) aligned goals for scope 1 and 2 emissions, aiming at a reduction in CO<sub>2</sub> emissions and, in the long term, the achievement of carbon neutrality in operations
- **Increase percentage of low emission** (electric / hybrid) vehicles in the banks’ fleet and provide access to charging stations
- **Promote lower carbon forms of transport** to work for employees
- **Promote environmental awareness of employees** in areas like mobility, use of resources (paper and others)
- **Integrate eco-building principles in the new novobanco Campus**, aiming for energy certification rating “A”
- **Select suppliers that attest to developing their business** based on sustainability criteria, proven by environmental certifications

# Responsible investment

novobanco commits to manage risks and business opportunities with a long term vision and a strong focus on climate change and supporting its customers in the transition to a low carbon, socially sustainable economy.

## Focus areas for commercial clients

- Support investment in Circular Economy, Climate Transition, Renewable Energies, Low Carbon Mobility, Natural Capital, Green Buildings and Rehabilitation and, in general, to clients and projects aligned with the EU Taxonomy
- Development of products to support clients' zero carbon and carbon neutral strategies

## Focus areas for individual clients

- Mortgage and financing products for home acquisition and energy efficient refurbishments, Green Buildings and Rehabilitation (special conditions for A+ energy certification rating), aiming at improving the portfolios' average energy certification rating and reduce mortgage portfolio GHG emissions per m<sup>2</sup>
- Low Carbon Mobility products

SUSTAINABLE DEVELOPMENT GOAL		MATERIAL ISSUES
<b>13</b> CLIMATE ACTION 	<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> <li>• Bank's financial performance</li> <li>• Incorporate ESG risks and criteria into the Bank's product and service offering</li> </ul>

## Guiding principles

to further meet and operationalize this commitment:

- **Establish an overarching investment policy that includes ESG factors** to guide the inclusion of assets in novobanco's portfolio, also identifying, where appropriate, exclusion policies and minimum safeguards for selected sectors, with a view of reducing exposure to sectors or activities with negative environmental and social impact
- **Develop mechanisms to identify, monitor and manage relevant ESG risks**, through the analysis and screening of clients and funded projects according to established ESG criteria in risk policy
- **Development of credit and investment products with environmental and social considerations**, designed to support commercial and individual customers in the energy and low carbon transition
- **Establish exclusion and minimum safeguards policies for selected sectors**, aiming at reducing exposure to sectors with environmental and social impact
- **Setting Science Based Target (SBT) aligned goals for Scope 3 emissions**, aiming at reducing novobanco's portfolio emissions
- **Enable investments in line with clients' ESG preferences**
- **Promote environmental literacy and support to the sustainability journey of commercial customers**, providing information on best practices, that contribute to their performance improvement, including the establishment of partnerships for acceleration of climate transition

## 4.2 Social Positive contribution to society

Within the scope of its business model, novobanco assumes the purpose of creating value for society, impacting it positively. Social issues deserve special attention at novobanco, as the bank desires to play an active role in the socio-economic development of the Portuguese business fabric and society, with a special focus on its employees and their families, as an integral part of society.

### Guiding principles

to further meet and operationalize this commitment:

- **Promote the national suppliers' ecosystem**
- **Adapt spaces to increase accessibility for all people**, including those with reduced mobility
- **Integrate elements of national cultural heritage** in the design of new office and retail spaces
- **Support the education of employees' children in the various school cycles**, as well as in those that require special treatments, whether in terms of educational or special development needs



## Guiding principles

to further meet and operationalize this commitment:

- **Provide opportunities for the development of technical and professional skills** that are not only improve performance and productivity, but raise individual employability levels
- **Promote and monitor workplace conditions**
- **Support local entrepreneurs through entrepreneurship support**, including financial and digital literacy initiatives
- **Support community development through initiatives to support entrepreneurship**, financial products in the social area and promotion of financial and digital literacy
- **Preserve, promote and share with Portuguese society and the communities** it serves its relevant cultural and artistic heritage, facilitating access and enjoyment of the various collections to artistic communities, students, researchers and the general public

novobanco is also committed to guaranteeing fair and inclusive working conditions for its employees, particularly regarding their holistic well-being and gender equality

- **Promoting and valuing diversity in novobanco's employee** base as a strategic lever for transformation, innovation and growth, and stimulating an inclusive culture that allows its employees to fully realize their potential
- **Ensuring that leadership and management teams increasingly include the underrepresented** gender with the goal of achieving gender balance





## Guiding principles

to further meet and operationalize this commitment:

- **Promote employees work life balance**, committing to work and personal life reconciliation and well-being initiatives and action plans, with a special focus on psychosocial and mental health risk mitigation
- **Provide health, wellness, sustainability, diversity and inclusion literacy initiatives**, providing adequate information and knowledge so that employees can make conscious choices in their daily lives
- **Promote the inclusion of people with disabilities**
- **Promote the continuous development of employees**, through requalification initiatives particularly in the digital area, and through measures to promote internal mobility
- **Promote further development of leadership and management skills to management roles**, contributing to enhance efficacy of the operationalization of these commitments
- **Ensure continued enforcement of the principles of the Non-Discrimination and Equal Opportunities**, Policy and the Code of Conduct
- **Comply with all applicable labor rules** outlined in National Labor legislation (ratified by the Conventions of the International Labor Organization)

## 4.3 Governance

### Sustainable corporate culture

novobanco commits to a governance model based on a clear set of rules, procedures and processes, in order to uphold ethical business conduct and practices, as well as its commitment to sustainability.

#### Guiding principles

to further meet and operationalize this commitment:

- **Comply with the conducts already established at the Bank** (i.e. Code of Conduct, Human Rights Policy, Non-Discrimination and Equal Opportunity Policy), as well as all new conducts and commitments assumed
- **Promote respect and compliance with all applicable laws and regulations**
- **Include ESG factors when assessing management performance**
- **Promote Anti Money Laundering (AML), Cybersecurity and Data protection initiatives**
- **Select suppliers that have demonstrated environmental and social management systems in place,** aiming at improving average suppliers' sustainability score

novobanco also commits to respond to the evolving expectations and needs of its customers, leveraging digitalization and innovation to deliver the best experience, while at the same time taking an active role in promoting financial and digital inclusion in the communities in which it operates.

- **Promote financial and digital literacy initiatives for clients**
- **Promote digital communication with clients**

SUSTAINABLE DEVELOPMENT GOAL	MATERIAL ISSUES
<b>4</b> QUALITY EDUCATION 	<ul style="list-style-type: none"> <li>• Governance, remuneration and ethics policies</li> </ul>
<b>8</b> DECENT WORK AND ECONOMIC GROWTH 	<ul style="list-style-type: none"> <li>• Innovation and digitalization</li> <li>• Customer experience</li> </ul>

# 05 RISK MANAGEMENT

Managing risk is an inevitable and inherent element to the financial industry and banks must permanently assess their risk exposure.

ESG and sustainability risks and opportunities increasingly represent material impacts on the financial sector, with banks impacting, from an environmental and social point of view, its stakeholders, society and the environment.

Under this premise risk management is a priority for novobanco and, for this very reason, it is committed to incorporate ESG and sustainability risks in a holistic fashion into the bank's risk management processes and frameworks.

## Guiding principles

to further meet and operationalize this commitment:

- **Implement an overarching ESG risk** management policy that outlines novobanco's approach to managing each ESG risk factor
- **Adapt the risk management framework to assess and quantify ESG risks** to novobanco's operations, in particular physical and transition climate risks
- **Screen its investments or lending portfolios** in line with an exclusion and minimum safeguards policy
- **Integrate ESG risks into the risk assessment and decision process** to support alignment with the business strategy
- **Develop ESG risk-sensitive Key Risk Indicators (KRIs)** to enable monitoring of ESG risk within the bank
- **Integrate and define, in a clear and transparent way,** the roles and responsibilities assigned to overseeing, monitoring and managing ESG risk across the three lines of defense

# 06 DISCLOSURE AND REPORTING

novobanco believes that monitoring and reporting on sustainability, and in particular on material ESG issues identified by the bank, is important in order to demonstrate the Bank's progress regarding its sustainability commitments and performance.

**Under this premise, novobanco makes the following reporting commitments, to facilitate communication both internally and externally on its sustainability performance:**

- Reporting annually on the issues covered in this Sustainability Statement in its Annual Sustainability Report, as well as information on all material parts of the bank's operations, sustainability-related risks and opportunities, and sustainability-related metrics and targets (including performance)
- Reporting in accordance with the Global Reporting Initiative (GRI) standards, in compliance with the applicable European Union regulations, namely on the disclosure of information related to sustainability in the financial sector (SFDR), the EU Taxonomy and the TCFD (Task Force on Climate-related Financial Disclosures) recommendations, and in line with the principles of the United Nations Global Compact (UNGC) subscribed by novobanco
- Reporting on Science Based Targets (SBTs) company-wide emissions and progress against targets on an annual basis
- Reporting on the bank's activities contribution to Sustainable Development Goals (SDG)
- Reporting on its Social Dividend Model targets and performance in relation to the targets

**novobanco commits to transparent, complete and fair reporting of information related to sustainability.**

The communication of information related to sustainable financing (pre-contractual information on products or services and periodic disclosure of the alignment of the bank's portfolio), specifically through alignment with the Sustainable Finance Disclosure Regulation requirements (EU Regulation No. 2019/2088) and with the classification system of the EU Taxonomy (EU Regulation No. 2020/852), will be a vital facilitator of information transparency.

# 07 APPLICATION TO SUPPLIERS

**novobanco has guidelines in place for the selection of suppliers, with reference to sustainability aspects and attributes an ESG rating to suppliers.**

**The relationship with suppliers is based on a commitment to good practices and principles enshrined at an international level based on a set of Principles of Relationship with Suppliers that are aligned with the OECD Guidelines for Multinational Companies and the United.**

- Impartiality - equal treatment, without privileges or favoritism, always with the intention of avoiding conflicts of interest
- Transparency and Ethics - ensuring adequate provision of information
- Quality and efficiency in selecting the best suppliers

In addition to the existing guidelines in place for supplier selection, there is an expectation for all suppliers and third parties to follow and act in accordance with this document. As such, suppliers or third party declare that they:

- Take due notice of novobanco's Sustainability Policy and agree to comply with it to the extent applicable to their business
- Commit to operating in line with other policies mentioned in this document (Human Rights Policy, Non-Discrimination and Equal Opportunities Policy) and inform novobanco in case of (partially, or temporarily) not meeting these policies
- Constructively and proactively cooperate in the process of monitoring and verifying compliance with this document

novobanco will, whenever possible, monitor compliance of suppliers and third parties with the commitments outlined in this document. novobanco may conduct annual compliance surveys to confirm compliance and alignment with this Sustainability Policy. However, novobanco expects that suppliers will actively audit and monitor their day-to-day management processes with respect to this Policy and provide evidence to novobanco upon request.

# 08 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 January 2022.

This document is published on novobanco's website <https://www.novobanco.pt/> and on the bank's internal site.

If there are any inconsistencies, queries or general issues regarding compliance with this Sustainability Policy identified by any internal department, employee or other third party, or any doubt or suggestion on its application, these should be reported via email to [sustentabilidade@novobanco.pt](mailto:sustentabilidade@novobanco.pt).

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