REMUNERATION POLICY FOR MANAGEMENT AND SUPERVISORY BODIES OF NOVOBANCO

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1. Legal and Regulatory Framework

This Remuneration Policy ("Remuneration Policy") contains the principles and rules for the remuneration of the members of the Management and Supervisory Bodies (the "Members") 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*").

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

- Portuguese Companies Code ("Código das Sociedades Comerciais");
- Legal Framework of Credit Institutions and Financial Companies ("RGICSF");
- 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 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, transposing into Portuguese law of the Payment Services Directive (Directive 2015/2366/EU);
- Law No. 7/2019, of 16th January, on insurance distribution, transposing into Portuguese law the 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 of 25th March;
- 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 of and compliance with remuneration practices that are consistent with prudent, sound and effective risk management and do not encourage excessive risk-taking or promote situations that generate conflicts of interest with clients.

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 following elements:

i) long-term objectives, business strategy and interests;

ii) corporate nature and structure;

iii) corporate culture and values:

iv) risk strategy, culture and appetite, 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 Members and reflect the following principles: equal treatment between clients, pursuit the best interest of the Bank's clients and application of the best remuneration practices on the sale of products, and prevention of conflicts of interest.

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

The Bank shall ensure that the award, vesting and pay out of variable remuneration, is not detrimental to maintaining a sound capital base. For such purpose the Bank shall take into account its 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 their capital and liquidity planning and in their 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 total variable remuneration pool that can be awarded for a certain 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 assignment and payment of remuneration;

ii) the multi-year framework to ensure that the evaluation process is based on long-term performance and that the effective assignment of the tranches of the Variable Remuneration is deferred for a defined period, taking into account the Bank's business cycle and business risks;

iii) the risk adjustment mechanisms ("Malus" and "Clawback") to avoid excessive risk-taking;

iv) The fact that only the independent members of the General Supervisory Board are entitled to a fixed remuneration.

The Remuneration Policy for Staff Members is an autonomous Policy but consistent and aligned with this Policy, which is subject to approval by the Executive Board of Directors following a recommendation by the Remuneration Committee and subject to final approval by the General and Supervisory Board.

This Remuneration Policy is complemented by the Remuneration Units Regulation.

2. Scope

This Remuneration Policy is applicable to the following Members:

- Members of the General and Supervisory Board;
- Members of the Executive Board of Directors;
- Statutory Auditor or "ROC".

Novobanco shall ensure that the Financial Subsidiaries and any Branch adopt the guidelines and rules set out in this Remuneration Policy, by the means of its approval by the respective competent corporate bodies, as applicable and subject to the legal requirements applicable to each of these entities. Novobanco and its financial branches and subsidiaries coordinate, through the Human Capital Department, the adoption of this Remuneration Policy.

3. Remuneration Policy Governance Model

3.1. General and Supervisory Board and respective Committees

The General and Supervisory Board is responsible for adopting and maintaining the Remuneration Policy, and overseeing its implementation to ensure it is fully operating as intended, acting together with the Remuneration Committee.

The General and Supervisory Board 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 General and Supervisory Board, the Remuneration Committee, the Risk Committee and the internal control functions shall work closely together and ensure that the Remuneration Policy is consistent with and promotes sound and effective risk management.

The responsibilities of the General and Supervisory Board Committees with regard to remuneration matters are described in the respective Terms of Reference.

3.2. Internal 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.

All competent corporate functions and bodies (e.g., committees, control functions, human capital, legal, strategic planning, budget function, etc.) and business units input will be taken into account on the design, implementation and oversight of the institution's remuneration policies and shall attend any meetings of the Remuneration Committee at the request of its Chairman.

In particular:

- The **human capital function** shall participate in and inform on the drawing up and the 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 members the institution needs but also ensure that the remuneration policy is aligned with the institution's risk profile.
- 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 as well as be invited to attend the meetings of the remuneration committee on this matter.
- The **compliance function** shall analyse how the Remuneration Policy affects 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 of the General and Supervisory Board. The findings of the compliance function shall be taken into account during the approval, review procedures and oversight of the Remuneration Policy.
- The **internal audit function** should carry out a 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 support requested by the Remuneration Committee in the performance of its duties, in particular assist in the preparation and review of the remuneration policy.

3.3. Approval and amendments

The Remuneration Policy and any amendments thereto shall be approved at the General Shareholders' Meeting upon a proposal from the Remuneration Committee, previously acknowledged by the General and Supervisory Board. The Policy, after approval, shall also be acknowledged by the Executive Board of Directors.

The General and Supervisory Board shall ensure that the Bank provides the General Shareholders' Meeting with adequate information regarding the Remuneration Policy, its incentive structure and the extent to which risk taking is being controlled as well as the overall cost of the remuneration structure.

Detailed information on remuneration policies should be provided and include the following:

i) the remuneration components;

ii) remuneration packages and their alignment with the business and risk strategy, including the risk appetite;

iii) how it is ensured that the Remuneration Policy is gender neutral;

iv) how the points under ii) are taken into account in ex ante/ex post adjustments.

The General and Supervisory Board remains responsible for the actual implementation and oversight of any changes to the remuneration policies and practices.

4. Categories of Remuneration

Total remuneration results from the combination of the fixed and variable remuneration components. This chapter describes the structure and criteria for the allocation of the different remuneration components.

4.1. General and Supervisory Board

The remuneration of the members of the General and Supervisory Board is exclusively composed of a fixed annual remuneration paid monthly (12 allowances).

Only the independent members of the General and Supervisory Board are entitled to a remuneration which shall be a fix remuneration and approved by the General Shareholders' Meeting. The other members of the General and Supervisory Board receive no remuneration for the performance of their role.

4.2. Members of the Executive Board of Directors

The remuneration of the Executive Board of Directors Members should be consistent with their powers, duties, competences and responsibilities.

4.2.1. Fixed Remuneration

The fixed remuneration of the Executive Board Members shall take into account the complexity, level of responsibility and range of competences needed for the functions carried out by them as well as their relevant competences and experience the fixed remuneration shall be paid monthly, 14 times per year.

4.2.2. Variable Remuneration

The variable remuneration attributed to the Executive Board Members is freely decided and based on the combination of several KPIs set by the Bank, based on the combined Individual and Collective Performance Assessment and on the performance of the Bank. This assessment and performance will take into account quantitative and qualitative criteria implemented through the Objectives and Competences defined by the Remuneration Committee and reported to the Executive Board Members.

The variable remuneration is dependent upon the verification of criteria set out in this Policy and the conditions and objectives decided by the Remuneration Committee, is not contractually ensured (as such the award, vesting and payment of any portion cannot be expected as certain or ensured), and may be subject to risk adjustments mechanisms set out in section 4.2.2.3.

Additionally, variable remuneration may also consist in allowances, "sign-on bonus" and/or severance payments, 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 or as a compensation for the buyout of a previous contract may only be awarded and fully paid once during the first year of mandate of the Executive Board Member at the Bank, in accordance with applicable law, remuneration guidelines and policies.

4.2.2.1. Criteria/rules for attribution of Variable Remuneration

The following rules shall apply to the variable remuneration:

a) The variable remuneration is freely awarded and as far as the following cumulative conditions are verified: (i) the Bank has positive operating results in the year to which the variable remuneration relates to; (ii) the award is consistent with sound and effective risk management practices; and (iii) the attribution of variable remuneration does not limit the Bank's capacity to strengthen and maintain a sound base of own funds;
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 Member shall expect its award or vesting or assume the payment of any portion;
d) The total amount of variable remuneration shall be decided at the end of each year by the Remuneration Committee, based on operating results and considering all current risks and expected losses;
e) The total variable remuneration awarded to any member of the Executive Board of Directors will be limited to 100% of the respective annual fixed remuneration, unless otherwise approved by the General Shareholders' Meeting;
f) The total variable remuneration awarded to any member of the Executive Board of Directors shall be deferred for a period of five years, to be paid on a prorata basis, in the terms that follow;

4.2.2.2. Performance Appraisal and Key Performance Indicators

The performance appraisal of the members of the Executive Board of Directors shall be made until the end of March of each year following the year end and considering the performance and objectives defined for that previous year.

The attribution of annual variable remuneration shall be based on the achievement of financial and non-financial, individual and corporate Key Performance Indicators ("KPIs"), agreed with each member of the Executive Board of Directors. The KPIs will be defined during the first quarter of the reference year, based on a combination of the overall Bank's financial performance, on the member's individual areas of responsibilities (including the development of employees with direct reporting duties) and the objectives of the areas they manage. These KPIs can also include compliance with ESG factors.

It is the responsibility of the Remuneration Committee to set the abovementioned KPIs, their individual weighting, assess the scale of achievement and propose the total annual variable remuneration to be awarded to the members of the Executive Board of Directors

4.2.2.3. Form of Payment

The variable remuneration assigned to the Executive Board of Directors' members 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

50% 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 from the reference year (i.e., the year to which the variable remuneration relates to). Accordingly, 50% of the variable remuneration awarded for each year will be paid in the year of the award (i.e. 25% attributed in cash and 25% attributed in remuneration units') and the remaining 50% of the variable remuneration (i.e. 25% attributed in cash and 25% attributed in remuneration units') will be paid on a pro-rata basis over a five year period (i.e. 50% of the award value is paid in year N and the remaining 50% will be proportionately paid in N+1, N+2, N+3 and N+4, N being the year of award).In situations where the variable component of the remuneration exceeds one million euros, 40% of variable remuneration awarded will be paid in the year of award, being the remaining 60% deferred on a prorata basis, in the same terms as referred above.

b) Cash / Instruments

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

- 50% is paid in cash;
- 50% 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.

c) Retention

The Remuneration Units will be subject to a retention period of three months after vesting. During this period, although the instruments have been transferred to the Executive Board of Directors' members, they cannot be disposed of.

4.2.2.4. Risk Adjustment Mechanisms

The Bank may apply ex-post risk-based adjustment mechanisms to the total variable remuneration through the following mechanisms:

<u>Reduction</u> (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;

<u>Reversal</u> (Clawback): allows the Bank to recover amounts already paid or whose payment is already an acquired right, with the member being obliged to return such amounts.

4.2.2.5. Rules for Malus and Clawback application

The abovementioned mechanisms are applicable to the total variable remuneration, during the deferral periods and following an extremely significant event that could be attributable collectively to the Executive Board Members or to an Individual Executive Board Member.

The Remuneration Committee shall determine the severity of the event and whether the malus or clawback mechanisms are applicable to the entire variable remuneration allocated to one or more the members of the Executive Board of Directors. Depending on the severity of the event, the Remuneration Committee shall decide whether the *malus* or *clawback* mechanism is applicable.

Examples of a significant event where an individual member of the Executive Board of Directors could lose the right to the variable remuneration include fraud, material breach of confidentiality obligations, material breach of sustainability rules or obligations, application of material regulatory sanctions, situations where the Executive Board member participated in or was responsible for conduct which resulted in significant losses to the Bank or any member ceasing to be considered as suitable (*Fit & Proper* Assessment) by the supervisory authority in accordance with applicable laws and regulations or being subject to criminal convictions (other than traffic offences or other offences for which a non-custodial penalty is imposed).

The decisions taken on this matter by the Remuneration Committee shall be subject to approval by the General and Supervisory Board.

4.2.2.6. Rules in case of leave situations

4.2.2.6.1. Rules for termination by initiative of the Bank

If the mandate of a member of the Executive Board of Directors is terminated by the Bank without just cause, pursuant to Portuguese law, the member of the Executive Board of Directors shall be entitled to receive the deferred amounts of the variable remuneration awarded up to that date (or respective portions thereof), on the dates on which such portions are vested in accordance with the rules defined above, subject to the applicable malus or clawback adjustments.

If the mandate of the member of the Executive Board of Directors is terminated by the Bank with cause ("justa causa", under Portuguese law), the respective member of the Executive Board of Directors shall have no right to any deferred portions of Variable Remuneration, awarded until that date, and without prejudice to the application of any malus or clawback adjustment.

4.2.2.6.2. Rules for termination by initiative of the member of the Executive Board of Directors

If a member of the Executive Board of Directors voluntarily resigns before the end of the fixed term mandate for which he/she was appointed, the Remuneration Committee shall determine whether such Member continues to have the right to any deferred portions of variable remuneration that is not yet vested, subject to the applicable malus or claw back adjustments and on the date specified for the payment of each deferred portions. The Remuneration Committee shall also consider adherence to a non-compete undertaking and notice period in making its decision.

Notwithstanding, if the resignation of any member of the Executive Board of Directors had occurred during the Restructuring Period, he/she will receive the variable remuneration (or parts of it) that have been awarded, regarding each year of the fixed term mandate until the date of end of functions, when such deferred variable remuneration or portions of it vest in accordance with the rules above and subject to the applicable malus or claw back adjustments.

4.2.2.6.3. Rules in case of death or incapacity of the member of the Executive Board of Directors

In case of death of an Executive Board Member, 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 Executive Member's successors. The right to deferred portions of variable remuneration transferred to the Executive Board Member's successors will 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 paid in accordance with the current Policy.

As an exception to section 4.2.2.6.2., in case an Executive Board Member becomes unable to fulfil his role as a Member, the non-expiry rule foreseen above will be applicable.

4.2.3. Other Benefits

Other benefits such as health insurance, cell phones, and others, are applicable to the Executive Board Members in line with what is attributed to the Bank's employees, in accordance with internal regulations.

If any member of the Executive Board of Directors is an employee of the Bank, he/she would be able to maintain, during the term of office, the benefits that result from the employment contract and the Collective Bargaining Agreement (CBA) regulation that were applicable prior to being appointed to the Executive Board of Directors, if the applicable laws and regulations do not prevent it.

These benefits can be related to:

a) Health benefits: Bank employees are eligible for the SAMS health system;

b) Credit conditions: special mortgage rates set out in the CBA and a personal loans programme for employees;

c) Pension Plan: defined benefit pension plan set out in the CBA and a defined contribution plan for middle management.

Remuneration Committee may also decide to award other allowances considering the duties, responsibilities and specific circumstances of the member in question, notably the attribution of a rent subsidy to support housing expenses.

4.3. Severance

All severance payments to members of the Executive Board of Directors will be approved by the Remuneration Committee, respecting the applicable regulation.

Severance payments shall be considered as variable remuneration, must reflect the performance achieved over time and must not reward failure or misconduct (namely they should not be awarded where there is an obvious failure which allows for the immediate termination of the mandate by dismissal with cause - "justa causa", under Portuguese law).

4.4. Statutory Auditor ("ROC")

The remuneration of the Statutory Auditor shall be a fixed fee corresponding to the remuneration approved by the General Supervisory Board under the audit services engagement.

5. Conflicts of interest

Conflicts of interest relating to the Remuneration Policy and the variable remuneration awarded must be identified, assessed, and mitigated in particular by the existence of objective allocation criteria, based on the internal information system, appropriate controls and the "four-eyes" principle.

The Remuneration Policy shall ensure the objective of prevention of occurrence of any conflicts of interest arise for members of the Management and Supervisory Bodies in the performance of their duties.

The Remuneration Committee is responsible for monitoring adherence to novobanco's Remuneration Policy with the objective to prevent the occurrence of conflicts of interest established in the applicable laws, regulations and guidelines and will notify the Chairperson of the General and Supervisory Board if conflict of interests arises for members of the Management and Supervisory Bodies in the performance of their duties relating to this Remuneration Policy. If conflict of interests arises in connection with the Chairman of the General and Supervisory Board, the above referred notice shall be sent to the Chairperson of the Compliance Committee of the General and Supervisory Board, who shall then inform the General and Supervisory Board accordingly.

The Remuneration Committee and the General and Supervisory Board may consult the Compliance Department and/or request it to provide appropriate information relevant for the assessment of the situation.

No member of the General and Supervisory Board may participate in the discussion or the decision of situations where there are any conflicts of interests affecting or involving said member.

Decisions taken by the General and Supervisory Board regarding any conflicts of interest arising with respect to members of the General and Supervisory Board relating to this Remuneration Policy shall be subject to ratification by the shareholders at the Shareholder's Meeting.

The General and Supervisory Board shall inform the Shareholders of any decisions taken regarding conflicts of interest arising with respect to members of the Executive Board of Directors relating to this Remuneration Policy.

If the Compliance Department becomes aware of any conflict or a potential conflict of interests' situation related to this Policy, it shall inform the Compliance Committee of the General and Supervisory Board.

The Remuneration Committee and the General and Supervisory Board shall inform the Compliance Department of situations of conflict, or a potential conflict of interests submitted for their analysis. The Compliance Department shall include them in the registry of situations of conflicts of interest.

6. Gender Neutrality 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 value.

A gender-neutral Remuneration Policy should ensure that all aspects are gender neutral, including the variable remuneration and its payment conditions.

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 that this goal.

7. Disclosure of information

Upon approval, this Remuneration Policy shall be disclosed internally and novobanco should also appropriately disclose the information externally (on its website within a maximum period of 30 days), as well as make the approach, principles and objectives of remuneration incentives transparent internally. In addition, novobanco has the duty to disclose information on the practices and Remuneration Policy applicable to the members of the Management and Supervisory Bodies. In particular, the appraisal process with regard to the individual's performance should be transparent and properly documented.

8. Record keeping and Policy update

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

This Policy is supplemented by the Remuneration Unit's Regulation and 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 duly filed for a period of at least five years.

The Bank, through the Remuneration Committee, shall perform a centralized and independent annual review to assess the overall remuneration policies, practices and processes, where the relevant internal corporate functions should be involved. 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 member 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.

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 Executive Board of Directors and the General and Supervisory Board.

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 timely 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 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.

9. Final Provisions

This Policy was approved at the General Meeting upon proposal of the Remuneration Committee on 22nd of March 2024 and will enter into force on that date. The amendments introduced in this Policy are applicable to all fixed or variable remunerations, in cash or in remuneration units, that may be awarded, vested or paid after the referred date on which it enters into force.