

novobanco

POLICY FOR TRANSACTIONS WITH RELATED PARTIES

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novobanco



Índice

1. Goals	3
2. Application of the Policy to novobanco Group Entities	3
3. Legal and Regulatory Framework.....	3
4. Definition of Related Party	4
5. Definition of Transaction	4
6. Other Definitions	5
7. List of novobanco Related Parties	5
8. Conditions for entering into, modifying and formalizing Transactions	6
9. Approval Process for Transactions between novobanco and Related Parties.....	7
10. Special Legal Framework of Credit Granting.....	8
11. Communications on Transactions with Related Parties	8
12. Responsibilities of Control Functions.....	9
13. Expansion of Scope of this Policy.....	10
14. Revision	10
15. Approval	10
16. Dissemination and Clarifications.....	10

1. Goals

This policy aims to:

- a) Establish procedures to ensure that novobanco has a complete and updated list of its Related Parties at all times;
- b) Set internal rules and responsibilities regarding the identification of transactions proposed or planned by novobanco as falling under the category of Transactions with Related Parties;
- c) Establish internal procedures and respective responsibilities in the analysis and prior approval of Transactions with Related Parties;
- d) Set rules for the dissemination of this policy among novobanco's employees.

This Policy on Transactions with Related Parties has been prepared, and should be interpreted, in accordance with applicable law.

2. Application of the Policy to novobanco Group Entities

1. This policy lays out the basic principles applicable to novobanco and to transactions with its related parties and, with the necessary adaptations and internal approvals, to the credit and financial institutions controlled by it: novobanco dos Açores, BEST - Banco Eletrónico de Serviço Total S.A. and GNB Gestão de Ativos, SGPS, S.A. and the companies controlled by it, as well as by external branches of novobanco (the "novobanco Group");
2. The coordination between novobanco and novobanco Group entities to implement this policy's principles shall be done through novobanco's Compliance Department.

3. Legal and Regulatory Framework

1. EBA/GL/2017/11, 21 March 2018 - Guidelines on internal governance under Directive 2013/36/EU [Guidelines 105 and 113];
2. General Credit Institutions and Financial Companies Scheme (RGICSF):
 - a. Article 85 ("Credit to corporate board members");
 - b. Article 86 ("Other transactions");
 - c. Article 109 ("Credit to qualified shareholders").

Any references in this policy to "RGICSF" shall mean the RGICSF or any law amending or replacing it. 4
3. Banco de Portugal Notice no. 3/2020:
 - a. Article 33 ("Related Parties").
4. Commercial Companies Code:
 - a. Article 397 ("Business deals with the company").

4. Definition of Related Party

1. For the purposes of this Policy, the following shall be considered Related Parties of novobanco:
 - a. Qualified shareholders of the institution and other persons or entities subject to the scheme provided for in article 109 of the RGICSF;
 - b. Members of the managing and supervisory boards;
 - c. Spouses, de facto partners, relatives or kin to the first degree of managing and supervisory board members;
 - d. A company in which a managing or supervisory board member or his/her spouse, de facto partner, relative or kin to the first degree has a qualified holding of 10% or more of share capital or voting rights, or in which such persons exercise significant influence or hold senior management, administrative or supervisory positions;
 - e. Entities having a relationship of economic interdependence, in particular because they are part of a cross-linked holding relationship with various other entities, or because they are so closely linked to the institution that, if one of them were to experience financial problems, the institution would experience them as well;
 - f. Persons or entities such as depositors, creditors, debtors, entities in which the institution has a stake and employees of the institution or of other entities belonging to the same group, whose relationship with the institution allows them to potentially influence its management, in order to form a business relationship outside of normal market conditions.
2. Novobanco shall use the above criteria for the purposes of defining a “Related Party with novobanco” and subsequently preparing a List of Related Parties.

5. Definition of Transaction

For the purposes of this policy, “transactions” are considered existing or future relationships between novobanco and Related Parties, including modifications to existing relationships, which fall into the following categories:

- i. Granting of credit;
- ii. The placement or the subscription of securities, or the placement of investment funds or insurance products which include financial assets issued by a Related Party;
- iii. The signing of agreements of a derivative or similar nature;
- iv. Transactions on real estate;
- v. Signing of agreements for the provision of goods and services;
- vi. Acquisition or sale of shareholdings in companies or other legal entities;
- vii. Acquisition or selling of credit.

In turn, the following shall not be considered transactions for the purposes of this policy:

- viii. Any transactions or activities associated with the Contingent Capital Agreement between novobanco and the Resolution Fund;
- ix. Any transactions in the form of a standardized agreement not subject to negotiation or material changes, and which is entered into under normal market conditions, such as the opening of an account, an agreement for the registration and deposit of financial instruments, financial investments or the subscription of financial intermediation services;
- x. Transactions with a combined annual value of €30,000.00 or less with the same Related Party, except for the transactions referred to in articles 85 and 109 of the RGICSF.

6. Other Definitions

The following terms and expressions shall have the following meanings in this policy:

- a) Credit: Credit risk assumed, by any form or means, directly or indirectly, including the provision of guarantees, together with their changes, renegotiation or restructuring in any manner (including the approval, modification, renewal, novation and remission of credit lines or transactions);
- b) Controlled entity: Legal person in relation to which another natural or legal person owns all capital or exercises a relationship of dominance or control, pursuant to the RGICSF;
- c) Novobanco Group: novobanco and the credit and financial institutions which it controls: novobanco dos Açores, BEST - Banco Eletrónico de Serviço Total S.A. and GNB Gestão de Ativos, SGPS, S.A. and the companies controlled by it, as well as external branches of novobanco;
- d) Qualified Holding: a direct or indirect holding representing at least 10% of the affiliate's share capital or voting rights, or which in any way allows the exercising of significant influence on the affiliate's management, in accordance with article 486 of the Commercial Companies Code, subject to the rules of the RGICSF on the attribution of rights and voting.

7. List of novobanco Related Parties

- 3. Novobanco keeps a complete up-to-date list, in electronic format, of the persons and entities identified as its Related Parties, containing the following minimum information on each:
 - i. Full name or company name;
 - ii. Domicile or registered office;
 - iii. Taxpayer identification number, or legal entity identification number, or equivalent;
 - iv. Percentage of all direct and indirect shareholdings, when applicable;
 - v. Justification for their inclusion on novobanco's List of Related Parties;
 - vi. Date of inclusion on novobanco's List of Related Parties.

4. novobanco's List of Related Parties is reviewed and updated at least quarterly;
5. The List of Related Parties and its updates are approved by the Executive Board of Directors and reported to the General and Supervisory Board, to be acknowledged;
6. The Compliance Department is responsible for proposing and updating novobanco's List of Related Parties for its subsequent approval pursuant to the above paragraph;
7. For the purposes of the above paragraph, all of novobanco's departments and employees must promptly notify the Compliance Department when any person or entity, not yet included on novobanco's List of Related Parties, is identified as a Related Party under the criteria of this policy;
8. The updated List of Related Parties is promptly disseminated internally in electronic format and shared with novobanco Group entities;
9. novobanco's List of Related Parties is provided to the competent supervisory authority whenever requested;
10. Novobanco retains previous Related Party Lists for a period of five years.

8. Conditions for entering into, modifying and formalizing Transactions

1. Transactions with Related Parties involving novobanco can only be performed, modified or formalized with approval in accordance with the procedure and requirements of this policy;
2. The execution of any Transaction with a Related Party must meet the following requirements:
 - i. The rules and procedures applicable to similar transactions not involving Related Parties must be observed and complied with, namely the internal analysis and approval circuit applicable to each type of transaction;
 - ii. Execution at arm's length or, when this cannot be reasonably determined, following the comparability benchmark determined by novobanco;
 - iii. Be subject to prior opinions from the Risk Management function, Compliance Department and General and Supervisory Board (or a committee of this body with delegated powers);
 - iv. Be subject to approval by novobanco's Executive Board of Directors;
 - v. Be formalized in writing, specifying its main characteristics and conditions, such as amount, price, fees, term and guarantees, under terms comparable to those of a customer or counterparty who is not a Related Party of novobanco.
3. Pursuant to the law, novobanco retains all documents and information proving compliance with the requirements for performing a Transaction with a Related Party.

9. Approval Process for Transactions between novobanco and Related Parties

The following procedure must be followed for approving transactions involving Related Parties:

1. Analysis of the proposed transaction
 - 1.1. The department or business area in charge of the transaction, which is determined by the transaction type, identifies the customer or counterparty as a Related Party.
 - 1.2. The department or business area in charge of the transaction prepares a duly justified and documented presentation/proposal with the following minimum information:
 - i. Identity of the Related Party;
 - ii. Characteristics of the proposed transaction;
 - iii. Justification for considering the transaction as being performed at arm's length, namely by identifying parallel situations;
 - iv. Whether the transaction is a current transaction of novobanco (included in its business).
 - 1.3. In exceptional cases where, for justified reasons, it is impossible to determine the market conditions applicable to the transaction in question, the department or business area in charge sets a benchmark to compare the transaction against other similar transactions, so that the Related Party does not benefit vis-à-vis another entity not having this type of relationship with novobanco.
 - 1.4. For the purposes of determining the benchmark for comparison referred to in the above paragraph, the department or business area shall consider the following, if applicable to the transaction in question:
 - i. Characteristics of the proposed transaction;
 - ii. novobanco's position in the transaction, in particular any transaction costs, or costs which novobanco may incur as a result of performing the transaction;
 - iii. Valuation of the transaction's underlying assets;
 - iv. Advantages resulting, or potentially resulting, from the transaction for the counterparty;
 - v. Projection and consideration of the transaction in question if it had been performed with an unrelated counterparty.
2. Opinion of the Risk Management function
 - 2.1. The Risk Management function considers the information in point 1 above and prepares its opinion on the proposed transaction, identifying and assessing the actual or potential ensuing risks to novobanco.
 - 2.2. The Risk Management function opinion is given by the Global Risk Department (DRG).

3. Opinion from the Compliance Department

The Compliance Department considers the information in point 1 above and prepares its opinion on the proposed transaction, identifying and assessing the actual or potential compliance risks to novobanco.

4. Opinion of the General and Supervisory Board

4.1. The General and Supervisory Board considers the information prepared and opinions issued by the different units of novobanco and issues its opinion on the performance of the transaction;

4.2. The opinion of the General and Supervisory Board may be issued by a committee of this board (such as the Compliance Committee) with powers delegated for this purpose, pursuant to the legal entities law;

4.3. When the opinion is given by a committee of the General and Supervisory Board with delegated powers, the plenary of this body will acknowledge the committee's opinions, given in accordance with its own procedures.

5. Approval by the Executive Board of Directors

5.1. The transaction, accompanied by all of the documents and opinions referred to above, shall be subject to the approval of the Executive Board of Directors.

5.2. The decision to approve a Transaction with a Related Party must be endorsed by a two-thirds majority of members.

10. Special Legal Framework of Credit Granting

With regard to direct or indirect credit transactions, including the acquisition of shareholdings under the terms of the RGICSF, novobanco also complies with the following rules:

- i. Novobanco does not grant credit to members of its managing or supervisory boards, or to companies or other corporate entities directly or indirectly controlled by them, pursuant to and with the exceptions set out in article 85 of the RGICSF;
- ii. Novobanco respects, at all times, the limits to which it is bound regarding credit granted to qualified shareholders and related entities, namely those arising from banking law.

11. Communications on Transactions with Related Parties

1. Novobanco's departments/areas must notify the Compliance Department of all Transactions with Related Parties.
2. The Compliance Department will request from the departments/areas, on a quarterly basis (March, June, September and December), the list of Transactions with Related Parties entered into during that period.

12. Responsibilities of Control Functions

1. Responsibilities of Risk Management Function

In complying with legal and regulatory obligations for Transactions with Related Parties, novobanco's Risk Management Department is specifically responsible for analyzing Transactions with Related Parties prior to their performance, identifying and assessing the actual or potential risks to novobanco, and issuing a respective opinion pursuant to Point 8.2.

2. Responsibilities of the Compliance Department

1. Prepare the proposed policy for novobanco, with responsibility for determining procedures and internal norms related to Transactions with Related Parties
2. The Compliance Department shall, in general, make efforts within novobanco to ensure compliance with the procedures of this policy, by regularly monitoring and assessing their adequacy and effectiveness.
3. In complying with legal and regulatory obligations on Transactions with Related Parties, the Compliance Department is specifically responsible for the following:
 - i. Ensuring that the policy, and novobanco's internal procedures and norms for its application, are up-to-date and compliant;
 - ii. Ensuring that compliance risks are identified, assessed, monitored and controlled appropriately;
 - iii. Preparing and promoting the quarterly updates of the List of novobanco Related Parties, and proposing its approval by the Executive Board of Directors;
 - iv. Analyzing Transactions with Related Parties prior to their performance, identifying and assessing the actual or potential compliance risks to novobanco, and issuing its opinion pursuant to paragraph 8.2;
 - v. Monitoring compliance with this policy, with the ability to request inspections and audits whenever deemed appropriate;
 - vi. Reporting any breach of this policy to the Executive Board of Directors and the General and Supervisory Board;
 - vii. Suggesting measures to remedy any shortcomings in the performance of its duties;
 - viii. Keeping a transaction record pursuant to this policy;
 - ix. Retaining, under the terms of this policy, the Lists of novobanco Related Parties previously in effect;
 - x. Being the internal recipient of communications from other novobanco departments regarding compliance with this policy, namely the identification of persons or entities as Related Parties and the performance of Transactions;
 - xi. Ensuring the internal dissemination of this policy to all novobanco areas, as well as its publication.

3. Responsibilities of the Internal Audit Function

Notwithstanding the Compliance Department's powers, internal auditing shall assess compliance with this policy during its periodic evaluations, per the approved multi-annual auditing plan, and shall report to the Executive Board of Directors and the General and Supervisory Board on the results of this assessment and any measures to improve its adequacy and effectiveness.

13. Expansion of Scope of this Policy

The Executive Board of Directors may decide to expand the applicable scope of the rules and procedures of this Policy on Transactions with Related Parties to include transactions to be negotiated or performed with persons or entities not qualifying as Related Parties.

14. Revision

Notwithstanding compliance with the duty to review the List of Related Parties on a quarterly basis, this policy will be revised at least annually. The Compliance Department may, however, propose that the Executive Board of Directors revise the policy more frequently whenever considered appropriate.

15. Approval

This Policy for Transactions with Related Parties has been approved by novobanco's Executive Board of Directors, with the prior favorable opinion of the General and Supervisory Board.

16. Dissemination and Clarifications

This policy has been disseminated, and is accessible, to all of novobanco's employees, and has been published at novobanco's website.

Versions of the Policy for Transactions with Related Parties

v1.	11/2017
v2.	05/2019
v3.	05/2021
v4.	03/2023