

To our stakeholders:

I am pleased to confirm that Novo Banco reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,

António Ramalho  
NOVO BANCO CEO

## **NOVO BANCO**

NOVO BANCO was created in 4-Aug-14 after the resolution measure applied to BES. Share capital fully underwritten by the Resolution Fund.

The share capital of NOVO BANCO is wholly owned by the Resolution Fund, while Banco de Portugal, as Resolution Authority, is responsible for ruling on relevant changes in this matter.

All the information given in the Communication on Progress is available in the 2015 NOVO BANCO Annual Report 2015 and Novo Banco Website.

On 18 October 2017 the sale process of NOVO BANCO to Nani Holdings, S.G.P.S., S.A., a company indirectly held by investment funds managed by the Lone Star Group, was concluded. Once the sale was concluded and after carrying out two capital increases, the first in the amount of 750 million euro (on the date of the sale), and the second in the amount of 250 million euro (on 21 December 2017), the share capital of NOVO BANCO increased to 5,900,000,000.00 euro, represented by 9,799,999,997 dematerialised registered shares with no par value, of which 75% were fully subscribed, paid up and held by Nani Holdings S.G.P.S., S.A. and 25% by the Resolution Fund.

## **Human Rights**

- Principle 1 - Businesses should support and respect the protection of internationally proclaimed human rights
- Principle 2 - Make sure that they are not complicit in human rights abuses

## **Assessment, policy and goals**

**Description of the relevance of human rights for the company (i.e. human rights risk-assessment). Description of policies, public commitments and company goals on Human Rights.**

## Suggested topics...

- **Reference to (statement of support for) the** <http://www.un.org/en/documents/udhr/index.shtml> **or other international standards**
- **Written company policy on respecting Human Rights and preventing potential abuses (e.g. in code of conduct)**
- **Policy requiring business partners and suppliers to adhere to the Global Compact principles on Human Rights**
- **Assessment of Human Rights related risks and impact in industry sector and country(ies) of operation (see Risk Assessment Report at** <http://www.humanrightsbusiness.org/>
- **Specific goals in the area of Human Rights for the upcoming year**

In this respect we point out that Novo Banco shows unconditional respect for the United Nations Universal Declaration of Human Rights and for the requirements of the International Labour Organisation, in Portugal and all Countries where Novo Banco has operations. The Bank's Human Rights Policy is revealed through the commitments assumed towards the Global Compact principles.

Novo Banco assumes full and unconditional respect for the United Nation's Declaration of Human Rights and for the requirements of the International Labour Organization. NOVO BANCO has a Human and Labour Rights Policy, publicly available at the company's [website](https://www.novobanco.pt/site/cms.aspx?srv=207&stp=1&id=742440&fext=.pdf) <https://www.novobanco.pt/site/cms.aspx?srv=207&stp=1&id=742440&fext=.pdf> and <https://www.novobanco.pt/site/cms.aspx?srv=207&stp=1&id=742441&fext=.pdf> which further reinforced its internal regulations, labour practices and overall corporate culture of protection and respect for people and human rights in all the geographies where it operates. NOVO BANCO' policy for Human Rights is expressed through the commitment established with the Global Compact principles, and therefore there is no risk of incidents of child labour, forced or compulsory labour occurring, discrimination and operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk.

First and foremost, NOVO BANCO promotes the respect for the national legislation and regulations, while also stressing the need to abide by the United Nations Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises and the International Labour Organisation's principal conventions.

<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=699187&fext=.pdf>

<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=742439&fext=.pdf>

This policy covers all the Employees of the NOVO BANCO.

Novo Banco activities are mostly developed in countries where local legislation ratifies the International Labour Organization Conventions, namely in Portugal where the headquarters of Novo Banco are located and where policies and principles applicable to all companies are defined. In countries outside the OECD, NOVO BANCO acts in compliance with the same labour laws regarding Human Rights codes and standards and

non-discrimination policies rules and standards. The Banco has nonetheless published the Universal Declaration of Human Rights on its intranet.

Novo Banco relationship with all its employees is based on a of equal opportunity behaviour. To establish this behaviour Novo Banco has a Non Discrimination Policy. This Policy holds a crucial and indispensable role in the safeguarding of the principle of equal opportunity and the duty of non discrimination in all countries was it operates. The essential purpose of Novo Banco non-discrimination policy, available in company website "<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=699258&fext=.pdf>" and "<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=742440&fext=.pdf>" is to safeguard the principle of equal opportunities and the duty of non-discrimination. In the recruitment process of its employees, Novo Banco observes the principles of non-discrimination by reason of gender, race, skin colour, socioeconomic conditions and sexual orientation, it ensures adequate working conditions to handicapped employees and makes sure that practices which may lead to instances of discrimination in any possible form are prevented and monitored.

NOVO BANCO takes one step further, in order to communicate and spread compliance and good practices to all employees and to all stakeholders, by publishing its code of conduct. In 2015, Novo Banco has provided a code of conduct training session, promoting the principles, and the values that shape NOVO BANCO Conduct. In 2018 NOVO BANCO published several articles and news at it's intranet about the Code of Conduct.

The Code of Conduct of NOVO BANCO (available in Portuguese English) ensures the compliance with all the applicable labour rules, which are considered in the national labour legislation that ratifies the International Labour Organisation Conventions. The Code of Conduct is applicable to all Novo Banco Group, including non-OECD countries, where these principles are also applied. In the cases where the violation of the principles addressed in the Code of Conduct is also a violation of a law, regulation or internal rule, the latter are the ones to be primarily considered and invoked for the purposes of disciplinary action. The function of compliance, audit and the mechanisms for the anonymous reporting of irregularities, minimise the risk of occurrence of child labour or forced or compulsory labour in the Bank's operations, whether among Employees or in the Bank's service providers.

Please see in the following links NOVO BANCO Code of Conduct

[https://www.novobanco.pt/site/www.novobanco.pt/site/images/documentos/compliance/Codigo\\_Conduta\\_GNB.pdf](https://www.novobanco.pt/site/www.novobanco.pt/site/images/documentos/compliance/Codigo_Conduta_GNB.pdf)

[http://www.novobanco.pt/site/images/documentos/compliance/codigo\\_conduta\\_UK.pdf](http://www.novobanco.pt/site/images/documentos/compliance/codigo_conduta_UK.pdf)

Up till 31 December 2018, and given the notifications and the questions related with the internal regulations, mainly related with the violation of internal regulations and negligence in the exercise of functions, 26 violations were detected related with the internal regulations of the Bank, which resulted in the following sanctions:

- 1 Dismissal without indemnity or compensation;
- 3 Voluntary terminations;

- 3 Losses of holidays;
- 5 Disciplinary warnings;
- 6 Processes filed;
- 8 Other sanctions.

As regards the Portuguese society in general, the Global Compact Principles are already enshrined in the national legislation. The General Inspectorate for Labour and Social Security is the entity responsible for making sure these principles are followed, up to Novo Banco has been in compliance with the legislation and standards mentioned above.

NOVO BANCO Human Rights concerns are extensive to bank's supply chain, therefore NOVO BANCO published, a set of principles of conduct of sustainable development which complement the contractual rules established with its Suppliers. Actually all the suppliers must to subscribe the "Principles for Suppliers of NOVO BANCO" based on Global Compact Principles. These Principles can be found in the Suppliers Portal, the regular channel for communication with this group of stakeholders, which may register in the portal as certified suppliers of NOVO BANCO companies. In the certification process suppliers must reply to a number of questions intended to assess their sustainability practices, namely concerning labour issues, ethics, hygiene, health and safety in the workplace, and environmental management.

- "<https://www.novobanco.pt/site/cms.aspx?plg=E983E86F-A340-40D0-A500-0F83365BC544>"
- "<https://fornecedores.novobanco.pt/portalcompras/>"
- <https://www.novobanco.pt/site/cms.aspx?labelid=SUPPLIERS>

NOVO BANCO has a scoring process that permits to rank suppliers in accordance with the practices reported in the certification process, with each supplier being subsequently informed of its score. This assessment mechanism not only permits to identify the suppliers with the best practices, but also fosters a better engagement with the suppliers and a sharing of recommendations and experiences about good environmental and social practices along the supply chain. On 31 December 2018, 4,903 entities had applied for registration in the NBG Supplier Platform, of which 548 are registered suppliers with their process duly completed and updated. On that date the share of suppliers that had completed their registration or were in the process of registering (pre-registered) in the Supplier Platform corresponded to 94.9% of total suppliers turnover with the NB Group.

The respect for Human Rights is part of the NOVO BANCO value chain, including the main stakeholders: Clients, Employees, Shareholders and Suppliers.

Please consult this policy:

- <http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=739229&fext=.pdf>
- <https://www.novobanco.pt/site/cms.aspx?srv=207&stp=1&id=742534&fext=.pdf>

NOVO BANCO subscribes the Universal Letter on Human Rights, as a Portuguese company Novo Banco also subscribes the OECD guidelines for Multinational

Corporation and the Global Compact Principles. All those principles are covered by NOVO BANCO code of conduct, our principles for sustainable development and other corporate values.

- <http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=699187&fext=.pdf>
- <http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=742439&fext=.pdf>

## **Measurement of outcomes**

**Description of how the company monitors and evaluates performance.**

### **Suggested topics...**

**Specific progress made in the area of Human Rights in the past reporting period**

**Information about how the company deals with incidents of Human Rights violations**

**Investigations, legal cases, rulings, fines and other relevant events related to Human Rights**

**Periodic review of results by senior management**

## **Monitoring the Policy on Human Rights and other Internal Rules**

The monitoring of the Code of Conduct and other internal rules, with regard to clarification of employees in respect to its content and application, is the responsibility of the Compliance Department. The Compliance Department reports regularly to the Audit Committee and to Board members all the violations to the code of conduct and other internal rules.

As to the internal regulations, up till December 2018, several notifications and issues related to same, mainly relating to conflict of interest and professional secrecy issues were received. Up till 31 December 2018, 26 violations were detected vis-à-vis the internal regulations of the bank, which resulted in the following sanctions:

- 1 Dismissal without indemnity or compensation;
- 3 Voluntary terminations;
- 3 Losses of holidays;
- 5 Disciplinary warnings;
- 6 Processes filed;
- 8 Other sanctions

The Principles of Relationship with the Suppliers of NOVO BANCO is monitored by the Procurement (DPCC). To uphold these principles, the unit responsible for all Procurement at NOVO BANCO (DPCC) undertakes regular visits to suppliers in order to assure that the supplier has the capacity to comply with Novo Banco commercial demands. On these regular visits, DPCC provide information about the Principles of Conduct for Suppliers and verifies compliance from the supplier with these principles. DPCC is building a formal approach to these visits, in order to formalize Novo Banco procedures concerning non-compliances, and further requirements to each of the visited suppliers.

## Labour

**Principle 3 - Businesses should uphold freedom of association & effective recognition of the right to collective bargaining**

**Principle 4 - The elimination of all forms of forced and compulsory labour**

**Principle 5 - The effective abolition of child labour**

**Principle 6 - Eliminate discrimination in respect of employment and occupation**

### Assessment, policy and goals

**Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.**

### Suggested Topics

**Reference to ILO Core Conventions or other international instruments**

**Written company policies to uphold the freedom of association and collective bargaining and the elimination of forced labour, child labour and employment discrimination**

**Written policies that clearly state employee rights and responsibilities and their compensation and benefits**

**Policy requiring business partners and suppliers to adhere to the Global Compact Labour principles**

**Assessment of labour-related risks in the industry sector and country(ies) of operations**

**Specific goals in the area of Labour Rights for the upcoming year**

The right to free association is enshrined in the Portuguese legislation and is a recognized right of all the Employees. NOVO BANCO has always followed a policy of freedom of association and effective recognition of the right to collective bargaining. Among these, we could refer our respect for and support to our employees' trade union membership, the existence of a trade union secretariat and a procedure for Information and Consultation, in compliance with a community directive.

NOVO BANCO does not impose any restrictions at this level, either in Portugal or in the other countries where it operates. In NB Portugal, the percentage of unionized employees rounds 84,1%, in line with the average of the Portuguese banking sector.

Novo Banco has an active Workers Council, elected by the employees, with whom the HR Department meets on a monthly basis to discuss and analyze several HR issues: social wellbeing, employees' labour conditions, strategic, organizational or functional improvements and all relevant facts impacting the Employees.



Finally, NOVO BANCO is represented on the Portuguese Association of Banks who takes part in the Financial Sector's collective bargaining discussions.

NOVO BANCO relationship with all its employees is based on a policy of equal opportunity

<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=699258&fext=.pdf>

<http://www.novobanco.pt/cms.aspx?srv=207&stp=1&id=742440&fext=.pdf>

This policy holds a crucial and indispensable role in the safeguarding of the principle of equal opportunity and the duty of non discrimination. With this aim NOVO BANCO has, a non discrimination policy, safeguarding the principle of equal opportunity and the duty of non discrimination.

In the scope of the Human Resources development policy, the focus on their training is a fundamental pillar in the development of the skills and careers of this group of stakeholders. Because it believes that it is through knowledge that talent is recognised and retained, NOVO BANCO invests on an ongoing basis in the design and implementation of distinctive and motivational training to ensure the improvement of performances and the development and progress of the employees within the organisation

The Bank thus permanently invests in training activities that are comprehensive in terms of their target recipients, diverse in terms of methodologies and challenging with regard to their objectives and required results, at both technical and behavioural levels.

In a context where the market is evolving at wild pace and challenges, both external and internal, are increasingly ambitious, investment in transformation has become crucial for NOVO BANCO. Accordingly, training has been reorganised into three pillars, namely Obligatory Training, Continuous Vocational Training, and Training for Executives.

Training for Executives reached 700 employees in 2018, namely through the Advanced Executive Programme, the Advanced Leadership Programme, executive training abroad, and lectures on innovative and motivational issues, namely given by experts of international renown. The Group provided 63.2 hours of training per employee in 2018, with Obligatory Training. On-the-job training provided in the 20 School Branches remained a prime training methodology, having increased by 34% compared to 2017. This training method continued to be much used in Retail, not only to train new employees but also to reinforce the commercial and technical skills of employees who changed their functions.

## **Implementation**

**Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.**

## **Suggested topics...**

**Suggestion box, call center or grievance mechanisms**

**Awareness raising or training for employees on labour rights and policies**

**Describe how the health and safety of all employees is ensured**

**Describe how the company prevents discrimination of all kinds and ensures comparable pay for comparable work**

**Consultation with employees and other stakeholders**

**Allocation of responsibilities for the protection of labour rights within your organization**

**Human resource policies and procedures supporting the Labour principles**

**Participation in international framework agreements and other agreements with labour unions**

The right to free association is enshrined in the Portuguese legislation and is a recognized right of all the Employees. Novo Banco has always followed a policy of freedom of association and effective recognition of the right to collective bargaining. Among these, we could refer our respect for and support to our employees' trade union membership, the existence of a trade union secretariat and a Procedure for Information and Consultation, in compliance with a community directive. NOVO BANCO does not impose any restrictions at this level, either in Portugal or in the other countries where it operates.

NOVO BANCO trade union meets 4 times a year with the Human Resources Committee, composed by the Head of Human Resources Department of all Novo Banco Group Enterprises. There are 3 bodies with a seat in trade unions that meet with the HR Management and with the Bank's Board of Directors. These parts discuss with trade unions issues, concerning social wellbeing, the climate in the organization, the improvement of the Employees' conditions, strategic, organic or functional reorganizations and all relevant facts impacting the Employees. 90,53% of our employees are trade union members and represented by an independent trade union or covered by collective bargaining agreements.

FINALLY, NOVO Banco is represented on the Portuguese Association of Banks who takes part in the Sector's collective bargaining discussions.

Training also one of the NOVO BANCO Group's main investments in the creation of competitive human capital.

The implementation of the NOVO BANCO Group's training plans is based on two types of training:

1. General training for employees in general;
2. Specific training, structured and planned in accordance with the target public, or rather, business area, function and characteristics of the employee or even those arising from special projects like the introduction of a new product on the market.

The methodologies used in training vary between e-learning, classroom training, coaching or on-the-job training.



Attracting and retaining the best professionals, providing a training plan, internal mobility and the assessment and compensation of merit are essential pillars in the career development and progression of employees in the NOVO BANCO Group.

The Bank continued to invest in training aimed at all groups of Employees in the Group. The Integrated Human Resources Management Model emphasises the implementation of measures to promote employee development and motivation and the reinforcement of skills through training plans, both specific and group-wide, thus consistently improving the Group's capacity to attract and retain talent.

This strategic objective of consistently improving the capacity to attract and retain talent is pursued through the following tools:

- Programme of individually tailored traineeships to suit the needs and future functions of each employee;
- Identification and profound knowledge of the capacities of the employees, defining training profiles and tracking requirements in terms of technical and behavioural skills;
- Tracking the training needs of all the employees and monitoring and managing the training provided to fulfil these needs;

Always concerned with the well-being of its employees, NOVO BANCO offers them a set of benefits and programmes that reflect a permanent diagnosis of the internal challenges as well as best market practices. Built through a relationship of true partnership between the Bank and its Employees, the NB Work & Life programme aims to foster a balance between the professional and the personal life of the employees. This programme is also part of NOVO BANCO's Social Dividend Model. Under this programme the employees have access to a set of benefits that go beyond legal requirements and which afford them more time for their personal life. A set of targets to be reached by 2020 has therefore been set in terms of adhesion to each of these benefits. By enhancing staff motivation and satisfaction, these initiatives contribute to increase talent retention at NOVO BANCO. Since the new programme was implemented in 2017, several benefits have shown an excellent response, namely access to takeaway meals, leave on special days (birthdays of the employee or his/her children, 1st day in the first year of compulsory schooling), and the NB Early Friday or Late Monday plan (flexible working hours). Takeaway meals in particular have registered growing interest on the part of the employees as well as increasing impact at internal level. The takeaway service implemented by NOVO BANCO in all its canteens delivered 47 533 in 2018. In addition, NOVO BANCO has five canteens and bars located in the areas of greater concentration

of employees, which provide nutritionally balanced meals at a low cost - in fact the Bank was the first entity in Portugal to adopt the concept of 'nutrition traffic light'. In 2018 the Bank's canteens served 226 835 lunches to NOVO BANCO Group's employees.

In 2018, a total of 2 966 occupational medical exams (initial, regular, and one-off), 18 966 medical procedures (appointments and prescriptions) and 7 373 nursing acts were carried out by these services. Also, besides medical screening tests, the Bank will

permanently provide psychiatry and psychology appointments for all employees. Furthermore, the Bank performs a series of screening checks (cardio-vascular, oncologic, eye tests and executive checkups, as part of the Risk Prevention and Control programs) psychiatry and psychology appointments are provided to all employees. As regards curative medicine, several specialities are available, with the following appointments in 2018:

- General Practice - 9 434 appointments;
- Mental Health (psychiatry and psychology) - 1 043 psychiatry and psychology appointments;
- Nutrition - 820 appointments.

In 2018, there were 1043 psychiatry and psychology appointments, including the absenteeism due to stress, as well as other causes NOVO BANCO understands absenteeism is one of the problems the Bank faces and which very often is related to questions that go beyond mere illness or accident.

Being aware of this, NOVO BANCO, through its clinical services, namely psychiatry services sought to understand and assess the reasons behind long term absenteeism (exceeding 30 days) and together with the employees to find solutions for those who are on sick leave.

The NOVO BANCO concerns with health and safety at work aim to minimise accidents at work and occupational illnesses, and to protect the integrity and capacity for work of its employees. In this regard, the NOVO BANCO Group regularly carries out risk assessments of its work places through safety audits, ergonomic assessments of the work positions and Identification of Dangers and Risk Assessment of its Activities (IPAR). In 2018, 241 safety audits were carried out, 2 ergonomic assessments, 236 identification of Hazards and Assessments of the Activity's Risks (HAAR) and 2 assessments of Thermal Conditions, 3 Assessments of indoor air quality and 1 assessments of light conditions

NOVO BANCO has a policy concerning the attribution of allowances and assistance under its Internal Social Responsibility Programme that covers the following areas:

Allowances	Performance in 2018
<b>Educational Support</b>	
Attribution of child, school grants, scholarships and support to children and youth with special needs	<ul style="list-style-type: none"> <li>• 392 child benefits worth 507 000Euros</li> <li>• 208 scholarships worth 164 800 Euros</li> <li>• 222 school grants worth 37 500 Euros</li> <li>• 78 special needs allowances worth 90 000 Euros</li> </ul>
<b>Senior Support</b>	
Co-payment of expenses with senior residences, day-centres, home support, medicines and other staple goods	<ul style="list-style-type: none"> <li>• 60 allowances worth 126 900 Euros</li> </ul>

## **Measurement of outcomes**

The monitoring of the labor indicators are carried out on a biannual basis and some of them on a quarterly basis, being presented every 3 months to the CEO and made public annually in the sustainability report and on the Bank's website.

## **Environment**

**Principle 7 - Businesses should support a precautionary approach to environmental challenges**

**Principle 8 - Undertake initiatives to promote greater environmental responsibility**

**Principle 9 - Encourage the development and diffusion of environmentally friendly technologies**

## **Assessment, policy and goals**

**Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.**

## **Assessment of the environmental footprint and impact of the company**

**Written company policy on environmental issues, including prevention and management of environmental risks**

**Policy requiring business partners and suppliers to adhere to the Global Compact environmental principles**

**Describe specific goals in the area of environmental protection for the upcoming year.**

The financial sector is one of the main drivers of the economy, playing a fulcral role in the access to capital for diverse sectors, thereby performing an important function in sustainable development and in the problem of climate change, one of the burning issues of the day. One of the greatest challenges for the financial sector has been that of making sustainable development "climatically" possible.

The NOVO BANCO Group, following the guidelines of the World Bank, and Global Compact Principles recognises that climate change is one of the main concerns in the world, causing an undeniable direct impact on health and on economic growth. Therefore, NOVO BANCO has established an environmental management system, where NOVO BANCO Group reinforce its commitment to conduce its business in an environmentally responsible manner. This commitment is inherent to its assessment of the environmental risks and impacts arising from the activity of the Novo Banco Group and also resulting from the provision of financial products and services to its clients.

NOVO BANCO assumes responsibility for the promotion of environmental protection in the exercise of its business. In this regard and in order to reduce its direct environmental impacts, the Bank assumed a commitment regarding efficient consumption, waste reduction and minimization of emissions, framed within an

Environmental Management Program NB environment program, which besides promoting alterations in the standards of consumption, in the medium term it will enable a reduction in costs in terms of the consumption of electricity, water and paper.

Both employees and management are motivated to reduce the bank's environmental footprint and to make its operations increasingly eco-efficient. In order to meet the reduction goals set for 2015-2020.

#### 2015 – 2020 NOVO BANCO Reduction Objectives:

- Energy: -50%
- CO2 Emissions (car emissions): -50%;
- Electricity consumption: – 20%
- Photocopy Paper: -50%
- Water: -16%

Under its commitment to reduce paper consumption, NOVO BANCO promoted the dematerialisation of communications sent to customers, providing the respective documents online.

2016 was a year of consolidation of the strategy of optimization of communication to clients in NOVO BANCO, reinforcing the strategy of dematerialisation and consequently contributing to the improvement of environmental quality.

NOVO BANCO reached the record value of more than one million current accounts with digital statement In addition to the account statements, NOVO BANCO also sends most other banking documents to its clients in digital format (credit card statements, deposit certificates, account entry notices, integrated billing notices, and sundry notices), which in 2018 permitted to reach an overall level of dematerialisation in communication to clients of more than 83%, which compares with less than 50% in 2014. In fact, the Bank had already achieved, two years ahead of schedule, the target set for 2020.

The information's are available in NOVO BANCO Website

<https://www.novobanco.pt/site/cms.aspx?labelid=ENVIRONMENTALMANAGEMENTPROGRAMME>

In compliance with the 7<sup>th</sup> Global Compact Principles Novo Banco has developed products and services that support a precautionary approach to environmental challenge, NOVO BANCO launched the first Portuguese neutral emission Account - 18.31, to the retail segment. The 18.31 account was conceived to make the whole process inherent to its production and use as efficient and green as possible, with non avoidable carbon dioxide emissions (CO2) being offset. Each 18.31 account has an estimated carbon footprint of 1.09 kg CO2eq/year, which corresponds to the energy consumption of one light filament during five days. At 31 December 2018, NOVO BANCO had 121,133 NB 18.31 Accounts with offset emissions. Non avoidable carbon emissions are offset through through the support provided to the Soil&More project, a project of composting

of green waste (green waste from gardens, parks and other) collected in the municipality of Cape Town in South Africa, being approved by UNFCCC (United Nations Framework Convention on Climate Change). The production of this microbial compound allows the restoration of fertility in agriculture soils, avoiding that waste is laid in two landfills without conditions in Cape Town, its consequent burning and methane emission. It is estimated that this project will reduce 600 thousand tons of CO2 equivalent in 10 years. The adopted procedure will also allow for an increase in soil water retention capacity of up to 70%, which in the South African context is an extremely important impact, as the UNEP (United Nations Environment Program) listed the quality and availability of water in this region as one of the top three environmental issues to consider.

**Description of concrete actions to implement environmental policies, address environmental risks and respond to environmental incidents.**

**Suggested topics...**

**Awareness raising or training of employees on environmental protection**

**Initiatives and programmes to reduce waste materials (e.g. recycling) and consumption of resources (energy, fossil fuels, water, electricity, paper, packaging, etc.)**

**Activities aimed at improving the energy efficiency of products, services and processes**

**Development and diffusion of environmentally friendly technologies**

**Raise awareness among suppliers by asking for the environmental footprint of products or services**

**Environmental management system to identify, monitor and control the company's environmental performance**

**Allocation of responsibilities for environmental protection within the company**

**Corporate Management index (ACGE index).**

NOVO BANCO remains strongly committed to the reduction of its energy consumption. Always taking further this commitment, the Bank has implemented several initiatives, including:

- Reduction of the number of consumption locations - branch network and buildings;
- Installation of higher energy-efficient lighting and equipment (ex: HVAC);
- Re-implementation of an alarm system for anomalous consumptions and for equipment connected but not in use.

**Measurement of outcomes**

NOVO BANCO maintains its commitment to reduce the environmental footprint resulting from its activity and one of its main challenges is to meet the objectives set for 2020 through initiatives aimed at lowering its environmental impacts, undertaken within the scope of its Social Dividend model. The performance so far permits to be optimistic

regarding the achievement of the targets, mainly due to the continuous consolidation of saving initiatives. The main challenge is now to contain further increases that would prevent reaching the objectives set for 2020. The environmental targets set for 2020 in terms of energy and paper consumption, increasing document digitalization, reducing CO2 emissions and increasing waste separation, show NOVO BANCO Group's degree of commitment and consequent involvement and motivation of all the intervenients within the organisation to achieve greater environmental efficiency.

The Bank's environmental concerns also extend to its commercial activity and the offer of financial products.

The monitoring of the environment indicators are carried out on a quarterly being presented every 3 months to the CEO and made public annually in the sustainability report and on the Bank's website.

## **Anti-Corruption**

**Principle 10 - Businesses should work against all forms of corruption, including extortion and bribery.**

### **Assessment, policy and goals**

**Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment). Description of policies, public commitments and company goals on anti-corruption.**

### **Suggested topics...**

**Assessment of risk of corruption and bribery in the company's industry and country(ies) of operation**

**Written company policy of zero-tolerance for corruption, bribery and extortion**

**Reference to (or statement of support for) the UN Convention Against Corruption and other international instruments**

**Protocol to guide staff in situations where they are confronted with extortion or bribery**

**Policy requiring business partners and suppliers to adhere to the Global Compact anti-corruption principles**

**Specific goals in the area of anti-corruption for the upcoming year**

For NOVO BANCO Group the existence of a framework of values and principles that lead to all actions is fundamental, having for this purpose identified 10 guiding commandments.

According to what is established in these commandments the Group focuses its activity on a set of values and principles – of which ethics and transparency are a part – that are materialised in compliance with laws, internal rules and codes of conduct, seeking to guarantee a transparent management free from conflicts of interest.



NOVO BANCO Group has a set of principles and policies governing its relationships with its employees, namely:

- Policy for Prevention and Detection of Money Laundering and terrorism financing;
- Code of Conduct
- Human Rights Policy;
- Policy of Non-discrimination.

<https://www.novobanco.pt/site/cms.aspx?plg=21B52E82-106C-4D09-AE39-66A50EE9CBDB>

With regard to the last Global Compact principle, Novo Banco has a Code of Conduct for Employees available in Portuguese and English, translated, with several rules that for example stipulates that they should not accept any kind of offer or benefit liable of compromising their impartiality and loyalty to the Bank.

The Code of Conduct aims:

- a) To disclose the principles by which NB Group companies shall steer their activities;
- b) To promote an ethical conduct aligned with the values of the NB Group by the Employees;
- c) To promote respect and compliance with all applicable laws and regulations;
- d) To create a transparent system of relationships of Employees with the outside.

The Code of Conduct is not of an exhaustive nature and specifically addresses the need to comply with applicable laws, regulations and internal rules, such as:

- Code of Conduct,
- Conflicts of Interest Policy,
- Related Party Transactions Policy,
- Whistleblowing Policy,
- Policy on the Prevention of Money Laundering and Terrorist Financing
- Board of Directors and Supervisory Corporate Board Remuneration Policy and Employees Remuneration Policy

In situations of violations of the principles addressed in the Code of Conduct that consist also in a violation of a law, regulation or internal rule, disciplinary actions are applicable.

For the employees to be fully acquainted with the Code of Conduct, a training course Code was held in 2015.

Novo Banco has also an Anti-Money Laundering and Terrorism Financing System and Conflict Prevention. Novo Banco Group is totally committed to opposing any practice that may involve fraud and/or that may be included in the classification of money laundering, and terrorism financing undertaking, to report it to the competent authorities. Fraud, money laundering and terrorism financing are a threat to the financial

system in general and to the banking activity in particular. The Novo Banco is dedicated to continuing to develop prevention and internal control mechanisms which help to combat this illegal activity.

NOVO BANCO is strongly committed to the growing internalisation of a culture of compliance, namely with regard to the reporting of undue or irregular behaviours or behaviours that go against the law, the regulations and the Bank's internal policies.

To this end, in February 2018 the GSB and the EBD of NOVO BANCO approved the Whistleblowing Policy, which was subsequently communicated to the employees and published in the Bank's institutional website, at: <https://www.novobanco.pt/site/cms.aspx?plg=3AE91E8E-AAFB-4BD0-8C6A-07823384AEE3>.

## **Implementation**

**Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.**

### **Suggested topics...**

**Suggestion box, call center or grievance mechanisms**

**Awareness raising or training of employees about the company's policies regarding anti-corruption and extortion (e.g. mailings, internet, internal communication, etc.)**

**Allocation of responsibilities for anti-corruption within the company**

**Participation in industry initiative or other collective action on anti-corruption**

The ability to detect and prevent activities capable of constituting money laundering and terrorism financing, stems directly from the knowledge from banks of certain key elements relating to their counterparts and respective transactions.

Given the growing importance that the fight against phenomena such as money laundering and terrorism financing has assumed, is necessary a greater care in identifying weaknesses and areas of greater exposure to ensure the existence of adequate methods to control and mitigate the risks inherent to transactions and counterparties.

To that end, NOVO BANCO Group, using software tools with internationally recognised results to complement the experience of its human capital, has created and developed valuation models that will ensure that greater scrutiny is applied where this proves more necessary.

NOVO BANCO Group has in place an automated risk assessment model that, based on the mandatory characterising elements, ranks the counterpart as to the potential risk it poses, whilst screening the prospective counterparties against exception lists.

The risk assessment model and screening is applied as soon as the account is opened, minimizing the likelihood of the Bank inadvertently starting a business relationship with persons or entities recognisably suspect of involvement in money laundering or

terrorism financing. Entities that present increased risk are subject to further review by the Compliance Department that must approve the final acceptance of the counterparty. The model of risk assessment and filtering is also applied on the inclusion of new persons in existing accounts.

Additionally, the entire database of existing clients is regularly screened.

Not limiting itself to the analysis of statistical data the bank also looks at behaviour, monitoring the daily transactional activity.

This transaction monitoring being a responsibility of financial institutions becomes more complex as the volumes in question increase.

To this end the Bank has a software tool that, based on risk principles, analyses the transactional profiles of the accounts, generating automatic triggers for situations that appear not to match the pattern expected for each contract.

International transactions are further monitored for possible violation of international embargoes or sanctions, through an online screening process against the exception lists, covering the full contents of the operations support message, with doubtful situations being suspended for verification.

After analysis and detailed investigation, situations detected that confirm the existence of sustained grounds for suspicion, are duly communicated to the competent authorities who will take the steps they deem appropriate, in strict compliance with the legally established duties.

NOVO BANCO Group, complying with its regulatory obligations, develops training exercises in preventing money laundering and terrorism financing for all its employees (commercial and central structures, including senior management). Training can be online or in person, the latter mainly directed to new employees, in order to equip them with skills that enable them to collaborate with the control functions in mitigating the risks inherent to the execution of their functions. NOVO BANCO Group, complying with its regulatory obligations, develops training exercises in preventing money laundering and terrorism financing for all its employees (commercial and central departments, including senior management). Training can be online or in person, the latter mainly directed to new employees, and the objective is to equip them with skills that enable them to collaborate with the control functions in mitigating the risks inherent to the execution of their functions. In 2018, NOVO BANCO reinforced training on money laundering and terrorism financing prevention, having provided 8 891 hours of online training (including 1 259 hours for managers) and 807 hours of face-to-face training (of which 314 hours for managers), making a total of 9 698 hours..

The prevention of money laundering and terrorism financing is one of the foundations of confidence in the financial system and as such this issue will continue to receive the ongoing attention of NOVO BANCO Group.

## **Measurement of outcomes**

**Description of how the company monitors and evaluates anti-corruption performance.**

## **Suggested topics...**

**Information about how the company deals with incidents of corruption**

**Internal audits to ensure consistency with anti-corruption commitment, including periodic review by senior management**

**Investigations, legal cases, rulings, fines and other relevant events related to corruption and bribery**

**Specific progress made in the area of anti-corruption during the last reporting period**

**External audits of anti-corruption programmes**

The monitoring of the implementation of the Code of Conduct in NB shall be of the responsibility of the Compliance Department, which, to this end, may use other structures, including the Internal Audit Department and the Human Resources Department.

The contacts of the structure and the identification of the person responsible is disclosed to all Employees of the entity and to the NB Compliance Department.

In 2018 the NOVO BANCO Group examined 4 610 new contracts, of which 89 were rejected. In addition, 1 724 other contracts were analysed, upon which their ownership was changed. It also analysed 12 647 transactions under existing contracts, of which 833 were reported to the competent authorities. The prevention of money laundering and terrorist financing is one of the foundations of confidence in the financial system and as such will continue to deserve permanent attention by the NOVO BANCO Group.

The main pillars of Novo Banco AML policy are KYC, KYT, and KYP. On a very high-level approach, these involve (among other things): customer identification, customer assessment through risk scoring (countries where it operates, its shareholding structure, etc.), list matching (OFAC, EU, FINCEN, etc), and transaction monitoring. For all this, Novo Banco follows a risk based approach, to ensure the adequate attention is directed to where it is most needed. As a result, customers and accounts which are deemed to be of a higher risk (such as PEPs, for example), are subject to deeper scrutiny (EDD) and Senior Management approval, and transactions are monitored more closely. Any situation where there may be grounds for suspicion, and for which no sound explanation can be found, is promptly reported to the proper authorities, in strict compliance with all applicable laws and regulations. Compliance matters, particularly AML, have been receiving a great deal of attention from the highest levels of management and have been embedded in the culture of the whole organization.

In addition the new Code of Conduct has a specific paragraph concerning Money Laundering. Novo Banco external audit is exercised by the independent and External Auditor, Ernst & Young and the authorities of Supervisors that the NOVO BANCO is subject: European Central Bank, Bank of Portugal, Committee on Securities Market (CMVM) and the Insurance Institute of Portugal. The External Auditor has, within its jurisdiction and beyond the statutory audit, to rule before the Bank of Portugal on the efficiency and functioning of mechanisms of Internal Control (Notice No. 5 / 2008, Bank of Portugal) and to issue before CMVM an annual report on the adequacy of procedures and measures taken by NOVO BANCO, as a financial intermediary, to safeguard the assets of clients (article 304 ° C-4 and 306 and following of the Securities Code).

Besides NOVO BANCO compliance with legal requirements - all cash deliveries amounting to 15 000 Euros or more are subject to identification and to declare the origin of funds. If client is considered a high risk client, the declaration of origin of funds is mandatory for all values equal or above 5 000 Euros.

NOVO BANCO uses FISERV's AML Manager, intelligent tool, using the most important standards used in the European risk system, based in transactional risk and client profile risk.

The establishment of strategic policies is done centrally, and applicable throughout NOVO BANCO Group, in conjunction with local requirements. Transaction monitoring is done centrally for all Portuguese branches, and most subsidiaries. International units have their own compliance teams which perform their analysis locally, in close contact with the central Compliance team.

Additionally, all SWIFT, TARGET2 and SEPA transactions are filtered on-line against international lists (OFAC, EU, FINCEN, UN and HMT for the UK and GAFI/FTF), and may be blocked for scrutiny by the Compliance Department in case a close match is found. The message will only be allowed to proceed after it has been approved by Compliance. As mentioned previously, all suspicious activity for which no reasonable explanation can be found are duly reported to the proper authorities for further investigation.

The type of training used at NOVO BANCO improves the internal supervision exercised by all employees and therefore contributes to reducing risk. Thanks to the extra training provided all employees are now better prepared to identify potential cases of money laundering and terrorism financing.