

# **DEFENCE SECTOR**

## **Policy**

### **Santander Group**

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## 1 INTRODUCTION

### 1.1 Purpose

The purpose of this policy is to establish the criteria, that regulates all Santander Group banking activity regarding the defence sector.

According to Article 51 of the United Nations Charter, each nation has the right to individual or collective self-defence and to defend and protect its citizens, as well as to participate in international peace-keeping missions.

The international community condemns funding the manufacture and trade of defence goods and dual-use items which could be used by terrorist groups, organized crime and countries in which human rights are violated or to unstable regions. Also, certain weapons are capable of indiscriminately resulting in high number of victims and pose a threat to peace, security, defence and stability of countries, in addition to causing major economic and environmental damage. Also, International Conventions have identified certain weapons that cause unacceptable humanitarian harm and violate population's human rights.

Governments, institutional investors, customers, NGOs and society in general agree that the financial sector has a role to play in this regard.

### 1.2 Regulatory references

This policy has been developed in accordance with the Risk, Compliance & Conduct, Brand and Communication, Responsible Banking and Financial Crime Compliance Corporate frameworks.

### 1.3 Definition

To understand this policy, the following terms are defined:

- Defence goods: weapons, products and technologies specifically designed or modified for military use, as force, information or protection instrument in armed conflicts, or assigned to their production, testing or use.
- Dual-use items: goods, software and technology that can be used for both, civilian and military use.
- Key and dedicated components: those considered key, tailor-made and/or essential to the intended purpose of the defense goods or dual-use items.

### 1.4 Scope

This policy is prepared by Banco Santander, S.A., in its condition of parent company of Santander Group, resulting directly applicable to the Corporation, and is provided to the entities comprising the Group as a reference document, establishing the rules to be applied to the subject to which it refers.

Group entities are responsible for their own internal regulations, and for developing and approving in their respective governing bodies their own internal regulation that allows the application within its scope of the provisions contained in the Group regulation, with the absolutely essential adjustments, if any, to make them compatible and meet regulatory and management requirements or the expectations of their supervisors. Such approval must contain the validation of the Corporation.

## 2 APPLICATION CRITERIA<sup>1</sup>

This policy applies to any transaction<sup>2</sup> carried out by Santander Group, involving activities related to the defence goods and dual-use items.

Santander Group conducts enhanced due diligence as appropriate<sup>3</sup>, on clients and transactions in the defence sector, assessing each proposal on a case-by-case basis, with the primary objective of being compliance with international legislation and regulations, embargoes and sanctions imposed.

### 2.1 Prohibited activities

In accordance with its values and principles based on the respect for human rights and in the interest of its employees, customers, shareholders and society in general, Santander Group will not be involved, in the financing or support relating to the manufacture, trade, distribution or maintenance services of the following prohibited materials and their key and dedicated components:

- Antipersonnel mines.
- Cluster munitions<sup>4</sup>.
- Chemical and biological weapons.
- Nuclear weapons<sup>5</sup>.
- Ammunition containing depleted uranium<sup>6</sup>.

Neither will Santander be involved in the financing to individuals, corporations, or countries subject to arms embargo and/or sanctions imposed by the European Union, the Organization for Security and Cooperation in Europe (OSCE), the United States, the Office of Foreign Assets Control (OFAC) or the United Nations. Santander will also ensure it respects the conventions and treaties on non-proliferation of weapons<sup>7</sup> and other regulations and guidelines issued by international forums.

### 2.2 Restricted activities

All transactions in which Santander Group is involved relating to the manufacture, trade, distribution, or maintenance services of defence goods or dual-use items, including their key and dedicated components, are considered restricted and are assessed individually.

When assessing transactions, the following aspects must be considered, in relation to the goods, the destination and transaction:

- Whether goods may cause or exacerbate armed conflicts or aggravate existing tensions in the final destination country.

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<sup>1</sup> Restrictions/prohibitions will be in relation to the respective subsidiary involved and not the parent company.

<sup>2</sup> Including but not limited to banking, advisory or investment services.

<sup>3</sup> To the extent required by applicable law, customers and transactions involving activities enumerated in this section will be subject to an enhanced due diligence process to determine the unique risks presented prior to decisioning.

<sup>4</sup> Definition of cluster munitions under Convention on cluster munition. Dublin 2008.

<sup>5</sup> Companies headquartered in countries that have not signed or are in breach of the Non-Proliferation Treaty (NPT) or aren't NATO countries.

<sup>6</sup> Subject to an enhanced due diligence process.

<sup>7</sup> Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction; Convention on cluster munitions; Convention on the prohibition of the development, production and stockpiling of bacteriological –biological- and toxin weapons and on their destruction; Convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction; Multilateral Treaty on the non-proliferation of nuclear weapons.

- Whether there is a risk to countries' security, peace, defence and stability.
- Whether there are serious grounds to believe that the delivery may be diverted from its destination.
- Whether the financed good could be used to attack another country, or forcibly impose a territorial claim, always with consideration for the country's attitude towards terrorism, the nature of its alliances and respect for international law.
- Whether the proposal is supported by government export-credit agencies or multilateral entities.
- Whether either the financed or destination company are located in a country that:
  - Has not ratified core UN legal instruments on human rights or is identified by the Financial Action Task Force as non-cooperative in the prevention of money laundering.
  - Has been sanctioned by the UN/EU for human rights violations or internal repression, as defined in the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the Protocol on the Rights of the Child on the involvement of Children in Armed Conflict.
  - Has a high corruption<sup>8</sup> index in the annual corruption perception ranking developed by Transparency International.

### 3 CONTROLS AND EVIDENCE

Compliance functions must have monitoring and control mechanisms in place that ensure compliance with the criteria contained in this policy, that will be implemented in accordance with the established governance. Also, periodic consolidated reporting will be developed to assess clients and transactions activity, as well as Santander Group defence sector exposure.

### 4 GOVERNANCE OF THE POLICY

#### 4.1 Ownership of the policy

The reputational risk function is responsible for drawing up this policy.

The approval of this policy corresponds to the Board of Directors of Santander Group, prior review by the Compliance Committee.

The Board of Directors held on February 4th, 2025, approved the policy.

#### 4.2 Interpretation

The reputational risk function is responsible for interpreting this policy. In the event of conflict between the Spanish and the English version, the Spanish version will always prevail.

#### 4.3 Effective date and review of the policy

This policy will enter into force on the date of publication. Its contents will be subject to periodic review.

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<sup>8</sup> The Anti-Bribery and Corruption Policy (ABC Policy) sets the criteria, roles, responsibilities and governance for Santander Group's to prevent bribery and corruption ("ABC programme"), to comply with applicable ABC regulation, and safeguard the Group's reputation.