

# **DEFENCE SECTOR POLICY**

## **Policy**

### **Santander Group**

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## 1 INTRODUCTION

### 1.1 Purpose

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

The international community condemns funding the manufacture and trade of defence goods and dual-use products and technologies when there is a risk of their use by terrorist groups, organised crime, countries in which human rights are violated or unstable regions.

Certain weapons are capable of indiscriminately resulting in a very high number of victims and pose a threat to the peace, security, defence and stability of countries, in addition to causing major economic and environmental damage.

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

International Conventions have identified certain weapons that cause unacceptable humanitarian harm and violate population's human rights.

### 1.2 Regulatory references

This policy shall be drawn up in accordance with the Risk, Compliance & Conduct, Brand and Communication, Responsible Banking and Financial Crime Compliance Corporate Frameworks , as well as other general Santander Group policies regarding sustainability and Human Rights Policy and other policies which the Group may develop regarding reputational risk.

However, if any conflict arises among those policies, this policy will prevail in the specific matters it covers.

### 1.3 Definition

To understand this policy, it is necessary to define the following terms/concepts:

- Defence goods: weapons and all products and technologies specifically designed or modified for military use as an instrument of force, information or protection in armed conflict, as well as those allocated for the production, testing or use of the former. Riot-control gear is included.
- Dual-use products and technologies: this is the name given to products and technologies of common civil use that can be applied to military use.

This policy applies to any banking transaction carried out by Santander Group of activities related to the defence goods and dual-use technologies.

Financial Crime Compliance internal regulations are complementary to this Policy.

## 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

### 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, in any case, Santander group will not be involved in the financing or support in relation to the manufacture, trade, distribution or maintenance services of the following prohibited materials:

- Antipersonnel mines
- Cluster munitions<sup>1</sup>
- Chemical or biological weapons
- Nuclear weapons
- Ammunition containing depleted uranium.

### 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 technologies are considered restricted and they must ensure compliance with the following criteria:

- They must respect the conventions and treaties on non-proliferation of weapons (*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*) and other regulations and guidelines on this subject by international forums.

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<sup>1</sup> Definition of cluster munitions under Convention on cluster munition. Dublin 2008.

- It must be taken into account, whether the proposal is supported by government export-credit agencies (CESCE, COFACE, SACE or others) or multilateral entities such as the Inter-American Development Bank, International Finance Corporation or the World Bank.
- Special attention should be paid to the risks raised by transactions in which either the financed company or the one to whom the goods are delivered 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.
- As for the destination, it must be analyzed the following risks in particular:
  - If goods may cause or exacerbate armed conflicts or aggravate existing tensions in the country of final destination.
  - If there is a risk to countries' security, peace, defence and stability.
  - If there are serious grounds to believe that the delivery may be diverted from its destination.
  - If the financed product 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.

### **3 CONTROLS AND EVIDENCE**

The reputational risk functions must have monitoring and control mechanisms in place, to ensure compliance with the criteria set out in this policy and that they are carried out in accordance with the established governance.

Periodic reports that local reputational risk functions are required to report to the corporate reputational risk function, regarding the approved transactions under this policy scope and regarding the total local exposure in the defense sector, being subsequently reported to the corresponding governing bodies.

### **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 Banco Santander, S.A.

#### 4.2 Interpretation

The reputational risk function is responsible for the interpretation of this policy.

In the event of conflict between the Spanish and the English version, the Spanish version shall always prevail.

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

This document will be effective from its publication date. The contents of the policy will be reviewed annually.

The Board of Directors held on **MARCH 31<sup>ST</sup>, 2022**, declares the policy fully in force.