

# **General policy Defence Sector**

**SANTANDER GROUP**

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## 1. INTRODUCTION

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. Santander Group has developed a Human Rights Policy that is publicly available on its corporate website ([www.santander.com](http://www.santander.com)).

## 2. POLICY OBJECTIVE

Santander Group establishes in this policy the criteria which will regulate all of the Group's banking activity regarding the defence sector.

## 3. SCOPE OF APPLICATION

This policy applies to the whole Santander Group – every geographical area, business and entity – for any banking operation conducted by the Bank with companies carrying out activities related to the defence goods<sup>1</sup> and dual-use technologies<sup>2</sup>.

## 4. TRANSPOSITION BY SUBSIDIARIES

This policy was drawn up by Banco Santander S.A. as the parent of the Santander Group, and is made available to the subsidiaries comprising the Group as a reference document, establishing the regime to be applied in the matters referred to.

The governance bodies of the Group's subsidiaries are responsible for drawing up and approving their own internal regulations to enable the stipulations of Group regulations to be applied in their respective areas, with any adaptations, where applicable, which may be strictly essential to make

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<sup>1</sup> **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.*

<sup>2</sup> **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.*

them compatible and enable them to comply with legal and regulatory requirements or with the expectations of their supervisors.

This approval must be validated at corporate level, so as to guarantee coherence with the regulatory system and the internal system of governance operated by the Group.

## **5. CRITERIA: PROHIBITED AND RESTRICTED ACTIVITIES**

### ***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 or distribution of the following prohibited materials:

- Antipersonnel mines
- Cluster Munitions<sup>3</sup>
- Chemical or biological weapons
- Nuclear weapons
- Ammunition containing depleted uranium.

### ***Restricted activities:***

All transactions in which Santander Group is involved relating to the manufacture, trade or distribution of defence goods or dual-use technologies 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.

Likewise, 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, will be taken into account.

More specifically, the Santander Group pays particular attention to the risks posed by transactions in which either the financed company or the one to whom the goods are delivered are located in a country that:

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<sup>3</sup> Definition of Cluster Munitions under Convention on Cluster Munition. Dublin 2008.

- 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, Santander Group analyses 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.

## **6. ASSESSMENT, CONTROL AND REPORTING**

Units, as defined in the internal procedures, are responsible for the assessment of all factors to be considered for compliance with this policy in relation to client activities/transactions before submitting them for consideration to the risk committees. This will include compliance with other international conventions or standards on reputational risk management. The units will also be responsible for monitoring, controlling and the reporting on client risk exposures and transactions assessed.

## **7. RELATIONSHIP TO OTHER POLICIES**

This policy shall be construed in accordance with the Risk, Compliance & Conduct and Brand, Sustainability and Communication corporate frameworks, Anti-money Laundering and Terrorism Financing framework, as well as other general Santander Group policies regarding sustainability 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.

## **8. OWNERSHIP, INTERPRETATION, DATE OF VALIDITY AND PERIODIC REVIEW**

The owner of this policy is the Board of Directors of Banco Santander, S.A. Any subsequent material changes must also be approved by the Board of Directors.

This policy will also be reviewed by the Executive Risk Committee and the Responsible Banking, Sustainability and Culture Committee, so that all areas represented on it are fully aware of and take the necessary decisions to implement it.

This document will take effect on the date of its publication. Its contents will be subject to annual review and any changes or modifications considered appropriate will be made or, as the case may be, made.

This policy was last reviewed in December 2018.