



BANCO SABADELL GROUP DEFENCE SECTOR POLICY

This document is a translation of a Spanish language document which was approved by the Board of Directors of Banco de Sabadell, S.A. on 28/04/2025. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

CONTENTS

1. Introduction	3
1.1. Purpose and unit responsible.....	3
1.2. Definition	4
1.3. Scope of application	4
1.4. Regulatory framework.....	4
2. Principles and management parameters	5
2.1. Principles	5
2.2. Management parameters.....	6
3. Tools	6
4. Policy control	7
4.1. Control scheme	7
4.2. Monitoring mechanisms	7
4.3. Alerts	7
5. Document governance.....	7
5.1. Document approval.....	7

FIGURES

<i>Figure 1. Principles for the restrictions on financing and investment in activities of the arms industry</i>	5
<i>Figure 2. Management parameters for the restrictions on financing and investment in activities of the Defence sector</i>	6

1. Introduction

Banco Sabadell Group (hereinafter, the Group) strictly complies with national and international legislation when conducting all of its activities. Over the years, the Group has been adopting various codes and commitments on a voluntary basis that, based on its corporate values, shape its performance in an ethical and responsible manner as an essential part of its commitment to society. These codes and commitments are reflected in certain policies and normative documents, such as the Code of Conduct, the BANCO SABADELL GROUP HUMAN RIGHTS POLICY (and its associated due diligence procedure) and the BANCO SABADELL GROUP SUSTAINABILITY POLICY.

These policies and documents reflect its commitment to carry out its activity in strict compliance with applicable regulations and in accordance with the highest standards of ethics and professional conduct. This same vision applies to all Group subsidiaries to guide their business relationships with customers, suppliers, stakeholders, etc., establishing as an overarching principle that they should act within the frameworks of prevailing legislation with regard to both the purpose and performance of their activities.

The Group supports and applies the ten principles of the United Nations Global Compact concerning human rights, labour rights, the environment and the fight against corruption. The second principle of this Global Compact sets forth that “businesses should make sure that they are not complicit in human rights abuses”. In terms of security and the protection of human rights, the Group acknowledges the right of countries to defend themselves and protect their citizens and, consequently, to develop, manufacture and own weapons for this purpose, as well as to fund these activities.

In view of the foregoing, banking activity in relation to the defence sector and, in particular, financing and investment in the arms industry deserves special attention, which is given in this BANCO SABADELL GROUP DEFENCE SECTOR POLICY that sets out the restrictions on financing and investment applicable to the Group.

1.1. Purpose and unit responsible

The purpose of this Policy is to establish some basic action principles and a clear-cut definition of roles and responsibilities which the Group uses as a starting point to avoid exposure to companies and/or projects related to the development, manufacture, distribution, stockpiling, transfer or sale of controversial weapons, by laying down restrictions on actions related to the arms industry and the explicit prohibition of any activity that could be linked to controversial weapons.

This document also seeks to include the general and more fundamental principles that the Group adopts when analysing and subsequently approving a credit transaction in connection with this topic. These requirements stem from the national and international treaties or agreements, or even general or sector-specific best practices.

Under this Defence Sector Policy, the Group:

- shall not have any financial relationship with sovereigns, companies and/or individuals that sell arms to countries or groups subject to arms embargoes that violate laws to which the Institution is subject;
- shall not engage in activities related to the arms trade with countries where there is a high risk of human rights violations; and
- shall not invest in or offer financial services to companies involved in arms deemed to be controversial.

This restriction applies to conventional weapons, as regards the international trade activities referred to as arms transfers¹, provided that there is a reasonable risk that those weapons will be used to commit international law crimes or serious human rights violations, as set forth in the Arms Trade Treaty (ATT) of the United Nations approved in 2013, which came into force in December 2014. It also applies to countries subject to arms embargoes by international organisations.

¹ Activities of international trade comprise export, import, transit, trans-shipment and brokering, also referred to as “transfer”.

Excluded from this Policy are investment transactions initiated by customers and materialised through:

- customer-initiated trading of any kind of financial instrument that directly or indirectly involves exposure to securities issued by companies directly or indirectly related to the defence sector; and
- for direct customer investments or through advised portfolios or discretionary management portfolios in mutual fund or pension fund units, the restrictions are set out in the Banco Sabadell Policy on Integrating ESG Risks in Savings/Investment Products.

The unit responsible for this Policy is Sustainability, acting in its corporate capacity.

1.2. Definition

These Principles apply to the following activities:

1.2.1. Controversial weapons

For the purposes of this Policy, controversial weapons are those defined in the various international treaties and conventions in effect at any given time.

For the definition of controversial weapons, Banco Sabadell Group uses the criteria included in the international conventions detailed below:

- Anti-personnel mines: Convention on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and on their destruction (1997).
- Biological weapons: Convention on the prohibition of the development, production and stockpiling of bacteriological and toxin weapons and on their destruction (1972).
- Chemical weapons: Convention on the prohibition of the development, production, stockpiling and use of chemical weapons and on their destruction (1993).
- Cluster or fragmentation bombs: Convention on cluster munitions (2008).
- Nuclear weapons: Treaty on the non-proliferation of nuclear weapons (1968).

1.2.2. Arms industry activities

For the purposes of this Policy, arms industry activities refer to the development, manufacture, distribution, stockpiling, transfer or sale of weapons to countries where there is a high risk of human rights violations.

1.2.3. Countries and groups subject to international sanctions

For the purposes of this Policy, countries and groups subject to international sanctions are those identified by the United Nations Security Council, the European Union or any other official body deemed appropriate.

1.3. Scope of application

This Policy is applicable to all subsidiaries and activities carried out by Banco Sabadell Group, whether at the level of each customer or group of customers or at the project level.

This Policy is supplemented by that set forth in the Sectoral Rules for restricted sectors.

1.4. Regulatory framework

The regulatory framework of this document stems from the national or international treaties or agreements, or even general or sector-specific best practices on matters related to working conditions, society, human rights, the environment, dangerous or highly polluting products or activities, etc.

International law strictly and specifically prohibits the development, manufacture, stockpiling, transfer and use of certain types of weapons. Furthermore, the United Nations Security Council and the European Union both keep a public list of countries and business groups that are subject to international arms embargoes and sanctions at any given time.

Banco Sabadell, as the Group's parent company, has been part of the United Nations Global Compact since 2005 and is fully committed to complying with each and every one of its principles.

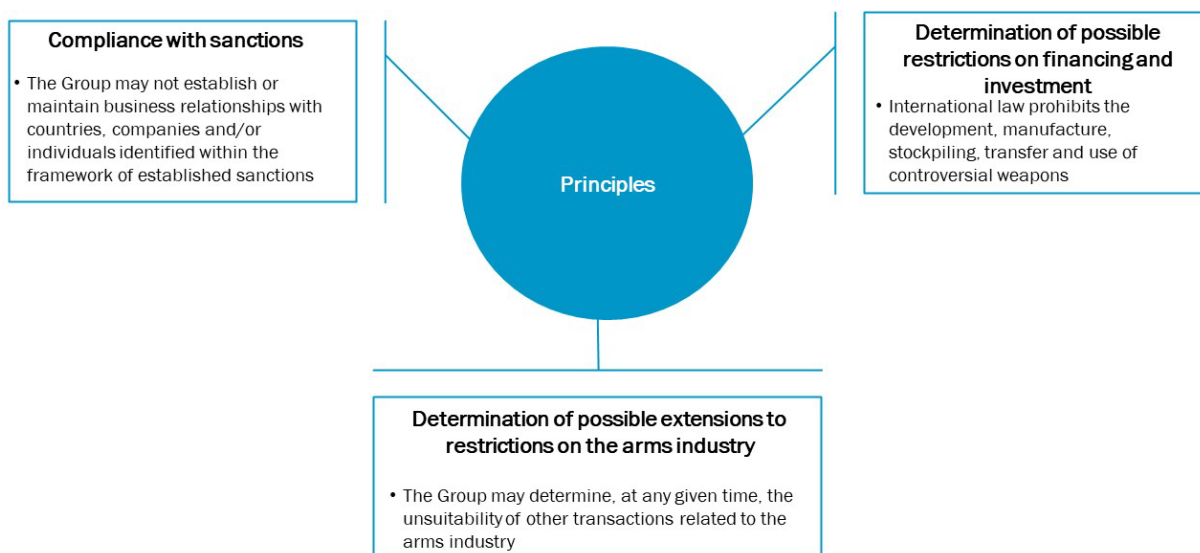
2. Principles and management parameters

The following principles and management parameters have been identified in relation to the restrictions on financing and investment in activities of the Defence sector.

2.1. Principles

The following figure illustrates the principles of the BANCO SABADELL GROUP DEFENCE SECTOR POLICY:

Figure 1. Principles for the restrictions on financing and investment in activities of the arms industry



2.1.1. Compliance with sanctions adopted by international bodies

The United Nations Security Council and the European Union both keep a public list of countries, business groups and individuals that are subject to international sanctions at any given time.

In light of the above, the Group shall not establish or maintain business relationships of any kind with countries, companies and/or individuals that do not comply with the sanctions established by the United Nations Security Council or the European Union.

2.1.2. Determination of possible restrictions on financing and investment

International law strictly and specifically prohibits the development, manufacture, stockpiling, transfer and use of controversial weapons.

The Group therefore implements suitable and effective mechanisms to detect any transactions related to this type of activity.

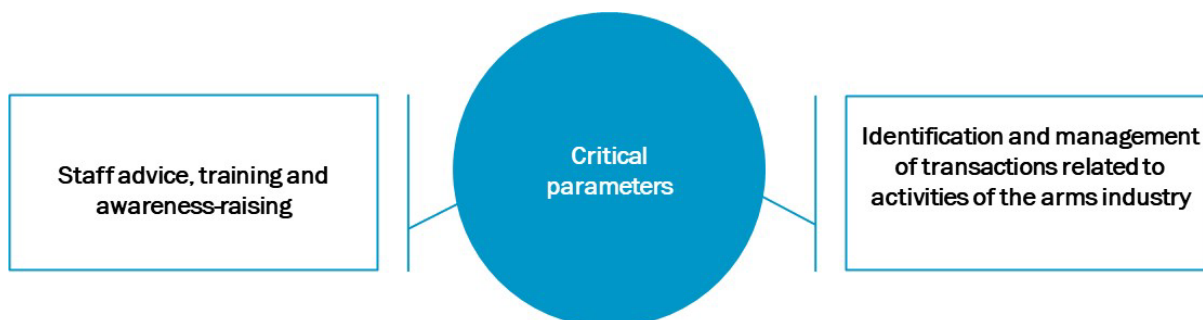
2.1.3. Determination of possible extensions to restrictions on the arms industry

In addition, the Group may determine, based on the information available at any given time, the unsuitability of other transactions related to the sector, beyond that specified in this Policy.

2.2. Management parameters

The following figure illustrates the management parameters of the BANCO SABADELL GROUP DEFENCE SECTOR POLICY:

Figure 2. Management parameters for the restrictions on financing and investment in activities of the Defence sector



2.2.1. Staff advice, training and awareness-raising

The Group advises and makes staff aware of the importance of observing the established procedures in relation to the financing and investment of activities of the arms industry. To that end, it develops training programmes aimed at providing staff with sufficient knowledge about this matter so that they may adequately perform their duties.

2.2.2. Identification and management of transactions related to financing and investment of activities of the arms industry

The Group uses an internal classification methodology to define and assign risk weights to money laundering and terrorist financing risk factors and includes the analysis of Anti-Money Laundering and Counter-Terrorist Financing for very high risk transactions according to that set forth in Guidelines EBA/GL/2020/06.

This Policy is in turn supplemented by that set forth in the Sectoral Rules for restricted sectors, which identifies both transactions and the onboarding of customers whose activity may be linked to the Defence sector.

Consequently, the implementation of the process to validate compliance with the internal regulations in effect at any given time allows risk management records of customers and/or transactions/projects affected by them to be escalated to the Group's Risk Operations Committee for approval.

3. Tools

To ensure compliance with the above principles, the Group has established channels of information, communication, contact and participation as tools for this Policy, the following being particularly noteworthy:

- Sectoral Rules applicable to the Defence Sector – general and core principles that the Group adopts when analysing and subsequently approving a credit operation/transaction. These are requirements that must be complied with either in the specific economic sector in which the customer operates or in the general sector to which the economic activity or project for which funding is sought relates.
- Factsheets on Sanctions – internal documents that summarise the international restrictive measures (broken down by country) and include details of the financial institutions affected in the country, as well as other actions taken by the Group, if any.

4. Policy control

4.1. Control scheme

The following units:

- Business Units, through the identification of transactions and operations that might be affected by the Sectoral Rules applicable to the Defence Sector.
- Risk, through the development and implementation of the Sectoral Rules applicable to the Defence Sector.
- Compliance is responsible for updating and monitoring international sanctions.

4.2. Monitoring mechanisms

The Group has suitable monitoring and control mechanisms in place that allow it to ensure due compliance with the Policy, such as for example restrictions on financing and investment in activities of the arms industry through Sectoral Rules.

On the other hand, Compliance updates and monitors international sanctions and keeps a log of transactions with countries and individuals subject to restrictive measures.

4.3. Alerts

The units responsible for controlling the Policy should issue the necessary notifications to ensure due compliance, for which they have the requisite control alerts.

On the other hand, Compliance updates and monitors international sanctions and keeps a log of transactions with countries and individuals subject to restrictive measures.

5. Document governance

5.1. Document approval

The BANCO SABADELL GROUP DEFENCE SECTOR POLICY is approved by the Board of Directors of Banco de Sabadell, S.A.

This Policy shall be available to all employees through CanalBS or through any other channel deemed appropriate by the Bank at all times.

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