

DEFENCE SECTOR

Policy

Santander Group

CONTENT

1	INTRODUCTION	3
2	DEFINITIONS AND SCOPE	3
3	CRITERIA	3
4	ROLES AND RESPONSABILITIES	4
5	GOVERNANCE OF THE POLICY	4

1 INTRODUCTION

This policy outlines the principles that govern Santander Group's banking activities in the defence sector. The policy is designed to deliver a responsible and ethical approach to defence sector banking activities and to support our strategic priorities.

Santander supports the right of nations to self-defence as enshrined in the United Nations Charter (Article 51), and this policy is intended to support global security and stability. In addition to countries' need to protect their borders, the defence sector is also key to boosting economies as it helps create jobs and facilitates innovation and cross-cutting technological advancements that can be used in other industries such as logistics and telecommunications. It is increasingly clear that public spending alone will not be sufficient to fulfil the defence industry's investment needs, and that the financial sector has a key role to play.

Santander recognises the evolving needs of the defence sector and is committed to providing financial solutions that contribute positively to sustainable growth and global security, and to be a proactive and responsible financier in the defence sector.

2 DEFINITIONS AND SCOPE

To understand this policy, the following terms are defined:

- Defence items: commodities (such as systems, equipment, components, materials, software or technology) that are in most part specially designed or modified for military use;
- Dual-use items: goods, software and technology that can be used for both civilian and military applications; and;
- Key and dedicated components: those components considered key, tailor-made and/or essential to the intended purpose of defense items and/ or dual-use items.

This policy applies to Santander banking activity¹ related to defence and dual-use items.

3 CRITERIA. Considerations for defence sector banking activity

Santander assesses each transaction within its banking activity based on a series of considerations to ensure alignment with applicable international regulations and its ethical standards. All decisions are taken in line with its compliance obligations and commitments to uphold human rights and international law, including but not limited to the United Nations Charter (Article 51), the Universal Declaration of Human Rights, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

All transactions are evaluated for compliance with all applicable local, regional, and international laws, including but not limited to EU, UK and US regulations, and export controls, embargoes, and sanctions².

¹ Including but not limited to banking, advisory, asset management and investment services.

² Including those imposed by the European Union, the Organization for Security and Cooperation in Europe (OSCE), the United States, the Office of Foreign Assets Control (OFAC), and/or the United Nations.

When evaluating transactions involving defence items, dual-use items and/or key and dedicated components, Santander will conduct thorough due diligence³ including assessment against the following factors:

- Human rights and ethical considerations: Santander works to support and respect the human rights of its employees, customers, suppliers, shareholders, investors, and/or communities. All transactions are evaluated in order to assess the possible impact on the protection of internationally proclaimed human rights, and to ensure alignment with relevant international human rights conventions⁴.
- End-use and end-user assurance and diversion risk: One of the most important factors in our assessment is any potential end-use and/or end-user of the relevant item or service:
 - o When evaluating transactions know-your-client requirements are applied and it is ensured compliance with anti-money laundering and terrorism financing regulations.
 - o It is also considered the political, economic, and financial stability, and the democratic principles of the country or countries involved.
 - o It is evaluated the risk of diversion for unlawful purposes and/or to unauthorised actors, as well as other risks associated with the country, parties or envisaged end-use.
- It is considered whether the entity and transaction are supported (or otherwise) by government export-credit agencies or multilateral entities.
- It is assessed the compliance with relevant international conventions and treaties on the non-proliferation of controversial weapons⁵ and other regulations and guidance issued by international forums⁶.

4 ROLES AND RESPONSIBILITIES

The compliance function must have monitoring and control mechanisms in place to ensure adherence to this policy, that will be implemented in accordance with the established governance.

Regular reporting is conducted to assess Santander's clients and transactions activity and exposure to the defence sector at local and group level, to evaluate the effectiveness of this policy, and ensure alignment with Group's corporate values and regulatory and compliance commitments.

5 GOVERNANCE OF THE POLICY

The approval of this policy corresponds to the Board of Directors of Santander Group.

³ To the extent required by applicable law, customers and transactions involving these items will also be subject to an enhanced due diligence process to determine the unique risks presented prior to decisioning.

⁴ Such as the UN Global Compact, the UN Guiding Principles on Business and Human Rights, The Universal Declaration of Human Rights and The ILO Declaration of Fundamental Principles of Rights at Work.

⁵ Such as the; Biological Weapons Convention; Chemical Weapons Convention; The Treaty on the Non- Proliferation of Nuclear Weapons, the Convention on Cluster Munitions and the Ottawa Convention.

⁶ Such as the UN Protocol against the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition, supplementing the UN Convention against transnational crime, the EU Code of Conduct regarding the export of weapons, etc.