



**EXCERPT OF THE 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 24/11/2022. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

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1. Introduction

Banco Sabadell Group (hereinafter, the Group) strictly complies with national and international regulations and legislation in the pursue of all its objectives. Throughout the years, the Group has been including various codes and commitments on a voluntary basis that, based on its corporate values, shape its behaviour in an ethical and responsible manner as an essential part of its commitment to society. These codes and commitments are described in certain policies and normative documents, such as the Code of Conduct, the Human Rights Policy (and its associated due diligence procedure) and the Banco Sabadell Group Sustainability Policy.

These policies and documents lay down its commitment to carry out its activity in strict compliance with applicable regulations and in accordance with the highest standards in ethics and professional conduct. This same vision applies to all Group subsidiaries to guide their business relationships with customers, suppliers, stakeholders, etc. The main principle is that all Group entities act within current legislation with regard to both its primary objective and the development of its activity.

The Group adheres to 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: “businesses should ensure 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 its citizens and, as a result, of developing, manufacturing and possessing arms for this purpose, as well as to fund these activities.

In light of the above, banking activity in relation to the defence sector and, in particular, financing and investment in the arms sector deserves special attention which is reflected in this BANCO SABADELL GROUP DEFENCE SECTOR POLICY, which sets out the restrictions to financing and investment applicable to the entire 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, manufacturing, distribution, stockpiling, transfer or sale of controversial weapons, by laying down restrictions to actions related to the arms sector 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 operation in this area. These requirements stem from the national and international treaties or agreements or even general or sector-specific best practices.

This Defence Sector Policy entails that the Group:

- A) shall not maintain any financial relationship with sovereigns, companies and/or individuals that sell arms to countries or groups that are subject to arms embargo;
- B) shall not engage in arms trade-related operations with countries where there is a high risk of human rights abuses;
- C) shall not invest in nor 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 transfers¹, provided that there is a reasonable risk that these weapons will be used to commit international law crimes or serious human rights abuses, as set forth in the Arms Trade Treaty (ATT) of the United Nations approved in 2013 with entry into force in December 2014. This also applies to countries subject to arms embargo by international organisations.

¹ International trade transfer activities are defined as export, import, transit, transshipment and brokerage.

1.2. Definition

1.2.1. The activities to which these Principles apply are: 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. Activities of the arms sector

For the purposes of this Policy, activities of the arms sector are the development, manufacturing, distribution, stockpiling, transfer or sale of weapons to countries where there is a high risk of human rights abuses.

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 Organisation for Security and Cooperation in Europe (OSCE) or 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 customer/group of customers or at the project level.

This Policy is supplemented by that set forth in the Environmental and Social Risk Framework - 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 contaminating products or activities, etc.

International law strictly and specifically prohibits the development, production, stockpiling, transfer and use of certain types of weapons. Furthermore, the United Nations Security Council, the Organisation for Security and Cooperation in Europe (OSCE) and the European Union maintain a public list of the countries and business groups that are subject to international arms embargo sanctions at any given time.

Banco Sabadell, as the Group parent company, has been part of the United Nations Global Compact since 2005 and is fully committed to comply with all its principles.

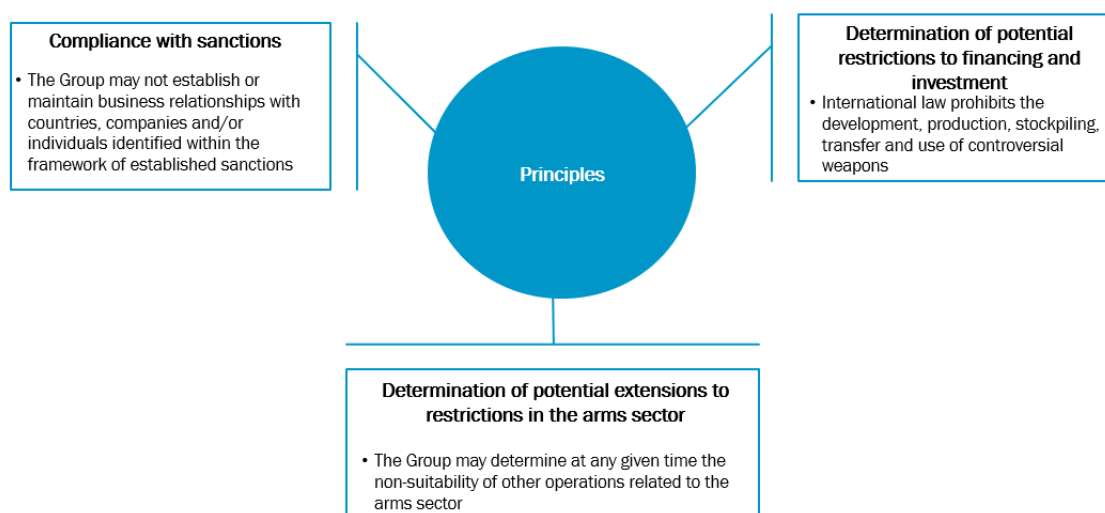
2. Principles and management parameters

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



2.1.1. Compliance with sanctions adopted by international organisations

The United Nations Security Council, the Organisation for Security and Cooperation in Europe (OSCE) and the European Union maintain a public list of the 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 nor maintain business relationships of any kind with countries, companies and/or individuals identified within the framework of the sanctions set forth by the United Nations Security Council, the Organisation for Security and Cooperation in Europe (OSCE) and the European Union.

2.1.2. Determination of potential restrictions to financing and investment

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

In this regard, the Group implements adequate and effective mechanisms to detect those operations related to this type of activities.

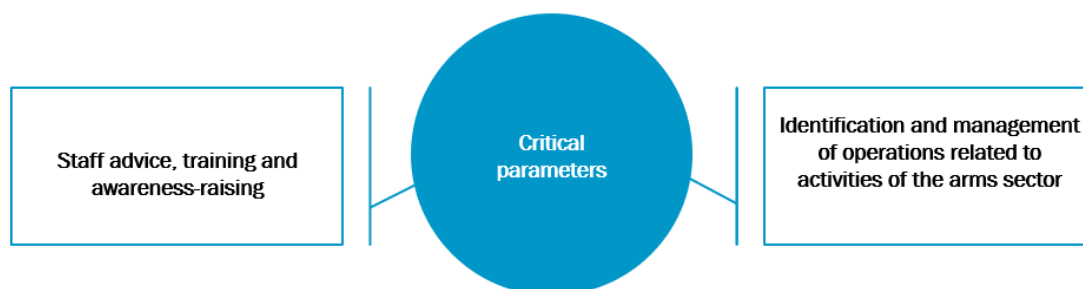
2.1.3. Determination of potential extensions to restrictions in the arms sector

In addition, the Group may determine based on the information available at any given time the non-suitability of other operations 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 of the restrictions to financing and investment in activities of the Defence sector



2.2.1. Staff advice, training and awareness-raising

The Group advises and generates awareness among its staff of the importance of complying with the procedures established with regard to financing and investment in activities of the arms sector. To that end, it develops training programmes aimed at the acquisition of sufficient knowledge by its staff on this matter so that they can adequately perform their duties.

2.2.2. Identification and management of operations related to financing and investment in activities of the arms sector

Through an internal classification methodology, the Group bases the definition and weighing of money laundering and terrorist financing risk factors and includes the analysis of Anti-Money Laundering and Counter-Terrorist Financing for risk operations 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 will identify both transactions and the registration of customers whose activity may be linked to the Defence sector.

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

3. Governance and organisational structure

The effective implementation of the principles and parameters defined in this Policy is carried out through a governance structure and organisation based on the model of the three lines of defence, which ensures its adequate implementation.

4. Procedures

The Group has procedures in place for managing and controlling restrictions to financing and investment in activities of the Defence sector through the Environmental and Social Risk Framework - Sectoral Rules.

This procedure enables the classification of companies required to publish their Non-Financial Disclosures Report that request financing according to their environmental performance and their stance against climate change, taking into account the nature of the activity and the borrower's ESG (Environmental, Social and Governance) management compared to best market practices. It also prepares and maintains the list of exclusions of customers, countries and sectors with which business relations may not be established or maintained because of their activities related to the development, manufacture, sale, etc. related to controversial weapons or because of possible additional restrictions established by the Group.

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.

5.2. Policy validity, monitoring and update plan

This Policy shall come into effect on the date of its approval by the Board of Directors of Banco de Sabadell, S.A. It shall be reviewed at least annually (review of general structure and content).

5.3. Policy publication

This Policy shall be available to all employees through CanalBS (corporate intranet) or through any other channel deemed appropriate by the Bank at any given time.

In addition, an excerpt of this Policy will be published on the Banco Sabadell corporate website.

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