

Guide to financing the defence sector

Within its Risk Management and Control Framework, Bankinter has defined investment sustainability principles regarding financing in particularly controversial or risk sectors, and whose social and environmental impact may be significant. To this end, it has drafted "Sustainable Investment Guides" that allow it to establish the measures and references that the Bank will follow in its decision-making, always taking into account, and when possible, the best international practices and standards.

These guidelines reflect Bankinter's commitment to sustainable development and the importance that the Bank attaches to the monitoring of good practices by its customers. The ultimate goal of this policy is to boost a transition of customers towards the best social, economic and environmental practices in the countries and communities in which they operate.

Among the sectors mentioned above, defence and arms production is identified as one of the most controversial in the world.

The Bank recognises the importance of the risks and impacts associated with the activities of this sector and is aware, in particular, that:

- Weapons are a substantial factor with the start, the prolongation and the intensification of armed conflicts, the proliferation of terrorism and organised crime.
- The misuse of weapons contributes to increasing violations of the social and civil rights of individuals and international humanitarian law.
- There may be a certain relationship between the arms trade and corruption.

For this reason, Bankinter supports and takes as a reference international initiatives that propose greater transparency and control of the sector, which include:

- The United Nations Arms Trade Treaty (2014)
- The recommendations of the Financial Action Task Force (FATF) to prevent the financing of terrorism
- Convention on Cluster Munitions (2008).
- European Code of Conduct on Arms Exports (1998).
- The United Nations Ottawa Treaty. Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction (1997).
- The Wassenaar Arrangement on Export Control for Conventional Arms and Dual-Use Goods and Technologies (1996).
- The Comprehensive Nuclear-Test-Ban Treaty (1996).

- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993).
- Convention on prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious or to have indiscriminate effects, and the amendment thereof (1980).
- The Convention on the prohibition of using environmental modification techniques for military or other hostile purposes (ENMOD Convention) (1976).
- The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons (1972).
- Treaty on the Non-Proliferation of Nuclear Weapons (1968).

Following the principles and values on which Bankinter bases its growth, the Bank undertakes not to provide its financial services to companies in the defence sector when there is concrete evidence that these companies put weapons at the disposal of:

- (i) Countries that are under a United Nations or European Union arms embargo.
- (ii) Non-governmental armed groups that do not have the support of the United Nations or the European Union.
- (iii) Countries that have been sanctioned or in which there is a clear risk that the weapons can be used for internal repression and violations of Human Rights according to the Universal Declaration of Human Rights and the Optional Protocol on the Convention on the Rights of the Child.

In addition and in accordance with international agreements ratified in the sector, Bankinter will not finance companies that produce and/or sell controversial weapons:

- Anti-personnel mines;
- Cluster bombs;
- Chemical and biological weapons;
- Weapons of mass destruction;
- Munitions containing depleted uranium;