



Action principles
of the Corporate Policy
for Relations with the
Defence sector

December 2019

Contents

1. Introduction	2
2. Purpose	2
3. Corporate Governance Framework	2
4. Scope and field of application	3
4.1 Scope	3
4.2 Scope of application	3
5. Corporate Business Principles	3
5.1 Regulations and reference documents	3
5.2 General applicable standards	4
5.3 Exclusions	5

1. Introduction

CaixaBank Group (hereinafter, “the Group”) carries out its activity in strict compliance with the laws in the regions in which it operates and in accordance with the most demanding ethical and professional conduct standards.

Furthermore, the Group supports and applies the ten principles of the United Nations Global Compact, which address Human Rights, Employment Rights, the Environment and the Fight against Corruption. The second principle of this Compact establishes that: “Businesses should make sure that they are not complicit in human rights abuses”.

The Group recognises the right of countries to defend and protect their citizens and, as a result, to develop, produce and possess weapons to this end, as well as their financing.

2. Purpose

The purpose of the Corporate Policy of Relations with the Defence sector is to establish action principles and to delegate accountability, that must regulate Group companies, aimed at avoiding exposures at companies related to the defense sector, that do not fulfil these principles established by the Board of Directors.

3. Corporate Governance Framework

The Board of Directors is responsible for introducing a risk governance framework in keeping with the Group’s risk appetite. This includes the dissemination of a solid risk culture, the approval of the risk appetite defined in the Risk Appetite Framework (RAF) and well-defined responsibilities for the functions of assuming, managing and controlling risks.

The Board of Directors, which bears overall responsibility for the establishment of the general strategies and policies of the Group, is responsible for the approval of these Principles and for ensuring the fulfilment of its provisions.



4. Scope and field of application

4.1 Scope

The activities to which these Principles apply are as follows.

- All the banking and financial services provided by all Group companies.
- The investment in capital instruments and debt instruments on its own behalf (this excludes index-based management).
- Asset management on behalf of third parties (this excludes index-based management), whether in the form of capital instruments or debt instruments.

In the application of these Principles, CaixaBank receives assistance from independent advisers and/or external tools, which provide a specialised and updated vision.

4.2 Scope of application

The Policy to which these Principles refer is corporate, meaning it applies to both CaixaBank S.A. and its subsidiaries.

5. Corporate Business Principles

5.1 Regulations and reference documents

CaixaBank and its subsidiaries have different responsible policies approved by its governing bodies:

- Code of Business Conduct and Ethics
- Corporate Human Rights Policy
- Corporate Policy on Corporate Social Responsibility

These policies reflect its commitment to carrying out its activities in strict compliance with the applicable standards and in accordance with the highest ethical and professional conduct standards. Consequently, it believes that the correct assessment and management of the social and environment risks and impacts resulting from its activities are essential. Therefore, it expects its clients to comply with the highest responsible governance, transparency, social and environmental standards.

In this connection, CaixaBank recognises the following standards, initiatives, conventions and institutions:

- The United Nations' International Bill of Human Rights.
- The United Nations Global Compact.
- The Guiding Principles on Business and Human Rights of the United Nations.
- The most recent Performance Standards on Environmental and Social Sustainability released by the International Finance Corporation (IFC) at the World Bank.

For the definition of controversial arms, CaixaBank uses the criteria included in the international agreements specified below:

- Anti-personnel mines: Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines (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 bombs: Convention on Cluster Munitions (2008).
- Nuclear weapons: Treaty on the Non-Proliferation of Nuclear Weapons (1968).

5.2 General applicable standards

CaixaBank and its subsidiaries will not intervene in the defence sector when there may be a clear risk of defence material being used for repression or other serious breaches of international humanitarian law, weapons conventions and Non-Proliferation Treaties and other related standards and guidelines. In this connection, CaixaBank and its subsidiaries recognise the right of countries to defend and protect their citizens and, as a result, may maintain business relations with companies related to the defence sector whose activities are considered consistent with legitimate national security and defence strategies.

Defence material is considered, as part of these Action principles:

- Weapons (such as guns or other light weapons, bombs, missiles or rockets), with the exception of the blank firearms, sporting weapons or replicas.
- Ammunitions and explosives when put to military use (including bullets, rockets, torpedos, grenades, mines, depth charges, etc.), provided that the target is not civilian.
- Especially designed components, and essential equipment for the production, maintenance and use of conventional weapons and ammunition, as well as software or hardware related to defence activities.
- Dual-use items: any items that may be used for either civil or military purposes, when their destination is military use. For the definition of dual-use items, the CaixaBank Group follows the EU regulations on export control and dual-use material pursuant to Council Regulation (EC) No 428/2009 of 5 May 2009, amended by Commission Delegated Regulation (EU) 2016/1969 of 12 September 2016.

Generally speaking, the restrictions established by these Principles shall be applied to clients at a Group control level.

5.3 Exclusions

As a general rule, the following constraints shall apply:

1. **No Group company shall provide financial services** to companies and its economic groups with the following characteristics:
 - Companies that develop, produce, maintain or market **controversial weapons** (including their essential components). These weapons include: anti-personnel mines; biological weapons; chemical weapons; white phosphorus; cluster bombs; ammunition that contains depleted uranium, and nuclear weapons. In the case of the latter, on an exceptional basis, financial services may be provided to companies residing in countries that have ratified the 1968 Nuclear Non-Proliferation Treaty, provided that these companies carry out other additional activities to nuclear armament and they are not related to any other type of controversial weapons. Under no circumstances may operations related directly to nuclear armament or any other type of controversial weapons be financed.
 - Companies that sell weapons to countries or groups that are subject to the European Union, United States and/or United Nations arms embargo.
2. **No financing shall be offered for new credit operations** relating to defence material (as defined in point 5.2) that fulfil any of the following requirements:
 - The end user is not a public authority, majority public shareholdings or private security companies. In the case of the latter, the exclusion shall apply when are unable to demonstrate their use by the police or security forces.
 - The aim of the operation is to trade defence material with brokers rather than end users.
 - The aim of the operation is to trade defence materials with countries where there is a high risk of human rights infringements.
 - The aim of the operation is the production, maintenance or trade of nuclear weapons.
3. **No Group company shall invest** in the capital or debt instruments of companies producing defence material or that they develop, produce, maintain or market weaponry (including their essential components) that is considered controversial (as defined in point 1). As a result of its participation in company merger or acquisition processes, should CaixaBank assume a share in a company subject to these Action principles, it will spare no efforts in disposing of this holding as soon as possible in an economically reasonable manner.



4. As part of management of third-party assets:

- Investments in the capital and debt instruments of companies that develop, produce, maintain or market with weaponry that is considered controversial (as defined in point 1), including their essential components, shall be excluded.
- Investments in the capital and debt instruments of companies and groups whose activities are significantly related to the defence sector shall be excluded.

Discretionary mandates are excluded from the Principles, although CaixaBank shall encourage its clients to refrain from investing in the aforementioned sector. Alternative funds managed by external management firms are also excluded.

On an exceptional basis, establishing business or investment relations with companies or business groups subject to these exclusions may be considered, if the aim of the financing is not an activity related to defence material. The approval of these exceptions shall adhere to the governance framework in place at CaixaBank and shall have been authorised by the Corporate Responsibility and Reputation Committee.

*Principles revised and approved by the Board of Directors on
19 December 2019.*