

Rules of Conduct in Defense

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1. Introduction

BBVA acknowledges the rights of countries to defend themselves and thus develop, produce and possess arms. However, BBVA considers certain activities and products related to the defense industry to contravene with its business standards and principles.

BBVA will not invest in nor provide financial services to companies that are involved in arms that are considered to be controversial. These arms are considered controversial due to the disproportionate number of casualties they cause or their impact on civilians after conflicts have ended. BBVA distinguishes seven types of controversial arms: anti-personnel mines, biological weapons, chemical weapons, cluster weapons, nuclear weapons, depleted uranium munitions and white phosphorus munitions.

2. Scope

This norm covers BBVA's advisory services to, investment in, and financing to companies and projects related to the defense sector. It applies to all BBVA Group business units and subsidiaries worldwide and covers all the bank's services.

- *Defense Material¹*: All material defined by the United Nations and the European Commission as a conventional weapon (including components, ammunition, spare parts for their operation, and maintenance) and dual-use material.
- *Clients*: Defense and security companies, any company, institution, state agency, or organization involved in the manufacturing, trade, or maintenance of defense and security equipment.
- *Transactions*: any transaction that involves clients and/or defense materials.
- *Management of the bank's own funds and client funds*: BBVA will not invest their own funds in any activity relating to controversial weapons or in bonds issued by countries subject to arms embargoes imposed by the United Nations Security Council, the European Union, and/or the United States. This ban also applies to third-party funds sold by BBVA.

¹ **Conventional weapons**: Conventional weapons are the most common type of armament globally, and historically the most commonly used in conflict. Conventional Weapons encompass a wide range of equipment not limited to armored combat vehicles, combat helicopters, combat aircraft, warships, small arms and light weapons, landmines, cluster munitions, ammunition, and artillery. Source: United Nations. **Dual-use** items are goods, software, and technology that can be used for both civilian and military applications. Source: European Commission.

3. Definitions and international standards

In defining of these controversial weapons (anti-personnel mines, biological weapons, chemical weapons, cluster munitions, nuclear weapons, depleted uranium and white phosphorus munitions), BBVA applies the criteria from the following international conventions:

- **Anti-personnel mines:** as defined in the Convention on the Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and on their Destruction (1997);
- **Biological weapons:** as defined in the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972);
- **Chemical weapons:** as defined in the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993);
- **Cluster munitions:** as defined in the Convention on Cluster Munitions (2008);
- **Depleted uranium and white phosphorus munitions:** In the absence of international conventions or a legal framework that regulates their use, BBVA has used criteria defined by an independent external advisor who produces for BBVA a list of defense materials to ban.
- **Nuclear weapons:** BBVA will not invest nor provide financial services to companies directly involved in the development, production, testing or maintenance of nuclear weapons for countries that are not signatory to the Non-Proliferation Treaty (NPT), or countries that act in breach of the NPT. Nuclear weapons are considered controversial because of their potential impact on civilians and their indiscriminate character, but are not prohibited by international law. The ownership, production, proliferation and use of nuclear weapons are strictly regulated and monitored via the NPT. As part of this treaty, it is accepted that China, France, Russia, the United Kingdom and the United States produce and possess nuclear weapons.

BBVA operates in strict compliance with the law, which requires that, all legislation applicable to its activities and operations are observed without exception. The defense sector is a highly regulated market. International conventions have banned some controversial weapons and the commercialization of defense equipment is subject to international treaties and national regulation.

Best practice standards in the sector

- The United Nations Arm Trade Treaty (ATT)
- The Treaty on the Non-Proliferation of Nuclear Weapons (NPT)
- The Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or other Gases, and of Bacteriological Methods of Warfare (commonly the Geneva Protocol).
- The Convention on the Prohibition of the Use, Stockpiling, Production, and Transfer of Anti-Personnel Mines and on their Destruction (1997);
- The Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972);
- The Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (1993);
- The Convention on Cluster Munitions (2008)
- The European Union Code of Conduct on Arms Exports

4. Exclusions

To apply its corporate norm, BBVA uses company and country exclusion lists developed and updated quarterly by an independent expert.

This policy sets out banned activities. BBVA does not back clients and/or business dealings involved in the following banned activities:

Banned Activities

Transactions

- A.** Activity related to the arms trade in countries that are under an arms embargo imposed by the United Nations, the European Union, and/or the United States.
- B.** Activity related to the arms trade in countries that are at high risk of human rights violation.
- C.** Transactions with intermediaries or those in which the end user is not a public organization (the police and armed forces, departments of defense, and defense companies).
- D.** The production and commercialization of controversial weapons and their key components: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, nuclear arms, white phosphorus and depleted uranium munitions.

Clients

- A.** Companies that sell arms to countries or groups subject to an arms embargo imposed by the United Nations, the European Union, or the United States.
- B.** Manufacturers of controversial weapons and their key components: biological or chemical weapons, cluster munitions, and anti-personnel mines.
- C.** Companies involved in the manufacturing or commercialization of nuclear weapons or their components in countries that have not signed or are in non-compliance with the Non-Proliferation Treaty.
- D.** Manufacturers of military assault weapons for civilian use.
- E.** Companies that are not in possession of the relevant export license.

5. Governance

This norm is issued by Responsible Business and approved by the CEO with the support of the Global Leadership Team. The norm may evolve in accordance with the changing context - to adapt appropriately to new recommendations or legal requirements that may arise - and as a result of the dialogue between the Bank and its stakeholders. Thus, BBVA will review the norm annually and may update it to ensure that it is aligned with international regulations and best practices.

The Business Development units of the geographies and the CIB Internal Control unit will be responsible for the internal communication of the norm, the procedure and the quarterly exclusion list in their respective areas.

The unit or branch proposing the operation or starting a relationship with the client, will be responsible of verifying compliance with the rule, consulting if necessary the CIB or local reputational risk specialist (Responsible Business) to clarify those cases where the interpretation of corporate criteria may present doubts.

The Responsible Business Area will coordinate the publication and access to the document to the entire BBVA Group, as well as the quarterly updating of the exclusion lists.

All responsible banking initiatives of BBVA are supervised by the Global Leadership Team within the framework of the CSR or Responsible Banking Policy.

This rule is public and we report periodically on its implementation..