

IMPLEMENTATION OF ESG STANDARDS IN OPERATIONS

1. Standard risk agreement

Risk management is a core component to Bankinter's competitive strategy. The Bank has a model of proven effectiveness that is in line with regulatory standards and best international practices, in proportion to the scale and complexity of its business activities. The board of directors annually approves the risk strategy and is ultimately responsible for managing risks.

Bankinter's risk management and control framework is a document in which the board of directors sets out the basic principles regarding its risk policy for each of the business segments on a yearly basis.

It provides certain 'investment sustainability principles' that address financing in particularly controversial or risky sectors that could have a significant social and environmental impact. It defines Bankinter Group's complementary policies (human rights, sustainability and environment), exclusion criteria (obligation not to finance or invest) and certain sectors that should be analysed in-depth due to their social and/or environmental impacts.

1. Investment sustainability principles/Sectoral policies

Bankinter is aware that the financial sector's contribution is essential to economic development and that its role is fundamental in its transition to a sustainable model.

The bank understands its duty and aims to operate in a responsible manner and encourage its customers to move toward a transition committed to future challenges and sustainable and inclusive development.

The core principle governing the Group's sustainability strategy is that its business objectives should be compatible with the company's prosperous and sustainable development, preserving environmental and cultural resources for future generations, respecting diversity and promoting education and the recognition of social groups in need of special support.

In order to prevent the financing of activities that may run counter to the Group's sustainability principles, it has created a set of exclusion criteria in terms of sectors that should be analysed in-depth regarding social, environmental, and human rights-related impact; in addition to policies and guidelines for financing certain sectors:

- **Defence**: defence and weapons manufacturing are identified as one of the most controversial sectors in the world, and we recognise the importance of the risks and impacts of related activities.

- **Mining**: mining is identified as one of the sectors that has the greatest impact on the environment, the economy and society. Bankinter expects companies to implement and develop their projects in accordance with existing local laws and international agreements ratified by countries where mining exists.

- **Agriculture**: it is also identified as a sector that has major environmental and social impacts. Therefore, Bankinter supports and refers to international initiatives that push for greater transparency and control in the sector.

- **Energy**: one of the most controversial or risk sectors is energy, not only because it generates a high environmental, economic and social impact but because it has a key role to play in the transition to a low-carbon economy. Energy is one of the main resources that contribute to economic and social development in the world. While it is true that current efforts are focused on developing more ecofriendly technologies, the economic model is still highly dependent on energy generated from fossil fuels like coal, natural gas and oil, all of which have significant environmental impacts.

2. Procedure for implementing ESG principles and policies

Investment sustainability – due diligence

Corporate Banking's risk committee is in charge of supervising:

- the bank's compliance with sustainable investment principles and sectoral guidelines.
- the regular review of sustainable investment principles and sustainable investment guidelines to adapt them to new market trends, regulations, international best practices and the bank's risk appetite.

Business units and risk units will be in charge of determining whether a transaction contains potential environmental or social risks. In their analysis, they check that activities to be financed are not mentioned in the bank's exclusion policy or in the exclusion lists of the various sectoral guidelines.

Their analysis should also highlight activities that contain greater potential risks due to the distinctive nature of a given transaction or sector in which they are carried out.

2.1. For the initial analysis, business units will be in charge of verifying *whether a project or a company are included within the bank's exclusion policy* or if an activity could be fit into sectors that are controversial to the bank. If not, the bank can finance the company/activity.

2.2. If a company or project's activity is included within the exclusion policy, the bank will not finance it.

2.3. If a company or project's activity is carried out in what the bank defines as a risky or controversial sector, the bank will analyse the related impact and run a check on the company and its operations. The committee in charge of this is Corporate Banking's risk committee.

2.4. After this analysis, risks levels will be assigned according to activity. Furthermore, the appropriate measures and safeguards will be requested, and the necessary contractual clauses will be drawn up to ensure that the impact/risk does not increase and can be mitigated. The committee in charge of this is Corporate Banking's risk committee.

3. Exclusion Policy Bankinter Asset Management

In order to avoid investing in corporates that carry out activities that may be contrary to the sustainability principles of the Group, which intends to lead, together with its customers, a transition towards sustainable development, the asset management company implements an exclusions policy, aimed at avoiding investment in any corporates whose business is totally or partially associated with any so-called 'controversial activities'. These activities are characterised by generating a high negative impact, in environmental or human rights terms, due to the resources they consume, the waste they generate, the impact of the goods or services they produce on the environment or on society and/or bad practices that they apply in the management of their human resources.

In line with the above, the asset management company undertakes not to invest in corporates whose income is derived totally or partially from carrying out the activities identified in the following table. The asset management company undertakes not to invest in corporates identified as having violated international standards and fundamental human rights of individuals.

4. Staff training

The Bank has a sustainability training plan to train its employees in environmental, social and governance issues. The Risk Department is continuously trained on extra-financial risks, with training sessions and courses for the bank analysts. In this way, the bank ensures that the staff who assess the risks of operations have sufficient knowledge to analyse the ESG risks associated with them.

5. 2022 indicators

Since the establishment in 2018 of these policies with environmental, social, human rights and good governance criteria, 6% of the operations analysed have been rejected for not complying with these extra-financial criteria.