GENERAL PRINCIPLES FOR PREVENTING MONEY LAUNDERING AND TERRORIST FINANCING AND MANAGING SANCTIONS AND RESTRICTIVE MEASURES

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BPI Grupo CaixaBank

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1. Introduction

1.1 Context

Banco BPI, S.A. (hereinafter "BPI" or "the Bank") is firmly committed with the prevention of money laundering and terrorist financing ("ML/TF prevention") and compliance with sanctions and restrictive measures programmes, actively promoting the application of the highest international standards in this area.

Financial crime is a universal and globalised phenomenon, materialized by taking advantage of the disappearance of trade barriers and the internationalisation of the economy. The fight against this phenomenon requires and demands a coordinated response from the international community in general and the financial sector in particular, to avoid inadvertent and involuntary use for illicit purposes.

1.2 Concepts of Money Laundering and Terrorist Financing Risk and Sanctions and Restrictive Measures

To understand and apply these principles, here follows some important concepts.

Money Laundering

It is the process by which the perpetrators of criminal activities conceal the origin of illicitly obtained assets and income (benefits), transforming the liquidity resulting from these activities into legally reusable capital by concealing the origin or the true owner of the funds.

Assets or income derived from criminal activity: any type of assets, whether material or immaterial, movable or immovable, tangible or intangible, acquired or held due to a criminal offence, as well as any legal document or instrument, in any form, including electronic or digital, establishing ownership of or a right to such assets, including tax fraud.

Money laundering is deemed to have occurred even if the activities that generated the assets took place on the territory of another state.

The money laundering process generally consists of 3 stages:

Placement: Stage at which assets and income are placed in the financial and non-financial circuits, for example, through deposits in financial institutions or investment in profitable activities and high-value assets.

Layering or Transformation: Stage at which assets and income are subject to multiple and repeated operations (e.g. transfers of funds) with the aim of distancing them from their criminal origin and eliminating any trace of their origin and ownership.

Integration: The stage at which the assets and income that have already been recycled are reintroduced into legitimate economic circuits, for example by being used to purchase goods and services.

BPI can be used at any stage of the process described, particularly at the "placement" stage, so the necessary internal control measures must be put in place to manage this risk.

Terrorist Financing

It is the direct or indirect process, by whatever means, of providing, collecting and holding funds or goods of any kind, as well as products or rights that can be converted into funds, for the purpose of using them, in whole or in part, in planning, preparation or carrying out of terrorist acts.

Terrorist financing is considered to exist even if the funds or assets are delivered or collected on the territory of another State.

Sanctions Programmes and Restrictive Measures

International Sanctions are a set of rules, both national and international, adopted by various organisations to impose, among other things, political, diplomatic or economic measures against certain countries and/or specific actions against persons or entities in connection with, inter alia, proliferation of weapons of mass destruction, terrorism, drug trafficking, threats to national or international security, violations of international law, human rights, among others.

Sanctions are intended to:
- Prohibit the establishment of business relations with certain persons or entities.
- Restrict or prohibit economic or business activities with certain natural and legal persons.
- Restrict or prohibit transactions with designated jurisdictions.
- Enforce the freezing of funds and economic resources held by sanctioned persons or entities and prevent them from being made available to them.

1.3 Objective

The purpose of this document is to set out the principles and assumptions that guide the management of Money Laundering and Terrorist Financing (hereinafter referred to as ML/TF) risk and Sanctions and Restrictive Measures at BPI.

The purpose of these BPI General Principles for Preventing Money Laundering and Terrorist Financing and Managing Sanctions and Restrictive Measures (hereinafter referred to as the "Principles") is to define the Bank's risk appetite and to establish BPI's internal policy in the conduct of its activities, business and relationships, both nationally and internationally, to prevent money laundering and terrorist financing and to ensure compliance with legal obligations in this area, as well as to ensure compliance with the various international sanctions and countermeasures programmes that may be applicable.

2. Scope of aplication

These principles are aligned with the corporate principles that define the scope of action of all the entities that make up the Caixabank Group, where BPI is included.

BPI's governing bodies will take the necessary decisions to integrate the provisions described in this document, in accordance with the principle of proportionality, as well as its operating rules, methods and procedures.

These principles will be reflected in BPI's own policy, which will be aligned with the CaixaBank Group's corporate policy.

3. Regulatory framework and applicable laws

These Principles are intended to comply with current national legislation, consisting mainly of Law No. 83/2017 of August 18 (Consolidated Act) and Law No. 97/2017 of August 23 (Consolidated Act), as well as Bank of Portugal's Notices which complement it, relating to the Prevention of Money Laundering and Terrorist Financing, Sanctions and Restrictive Measures, European rules and regulations and the highest standards of recommendations from international bodies, mainly represented by the recommendations of the Financial Action Task Force (FATF).

4. ML/FR prevention and sanctions management framework

The main elements which constitute the prevention framework regulated by these principles are the following:

1. Risk assessment;
2. Due diligence measures;
3. Detection, control and analysis of transactions;
4. Communication of operations and other operating rules;
5. Sanctions Lists control and communication of detections;
6. Document retention;
7. Training;
8. Consolidated risk management.

4.1 Risk assessment

BPI's exposure to the risks of Money Laundering, Terrorist Financing and Sanctions and Restrictive Measures is directly related to the nature of its business or activities, the products it sells, the services it provides, the distribution channels it uses, the nature and characteristics of its clients and/or the jurisdictions in which they operate.

In order to maintain an appropriate control and prevention framework with a risk-based approach, BPI must assess its risk levels to ensure that a higher level of supervision is applied to those entities, segments, channels, jurisdictions or products that present a higher level of risk.

4.2 Due diligence measures

The Client Acceptance Policy and the Due Diligence Measures shall not, under any circumstances, result in the infringement of any rights in the jurisdictions in which BPI carries out its activities.

The Client Acceptance Policy is dynamic and establishes a compliance framework that may vary depending on the risk level of certain segments or activities, derived from their exposure at any given time. The Acceptance Policy must comply with international standards and the Know Your Customer (KYC) principle, with particular emphasis on ensuring that a good knowledge of the customers and their activities is always available.

The Know your Customer principle and due diligence policies are applied on a risk-based approach to ensure that the measures applied are proportionate to the underlying money laundering, terrorist financing or sanctions and restrictive measures risk.

Client classification: BPI's clients should be segmented and classified according to risk as an element that allows preventive and control measures to be adapted to mitigate risk exposure, so that stronger measures and controls are applied to clients with a higher level of risk.

The controls and procedures should ensure adequate and continuous monitoring of the business relationship so that the level of risk, and therefore the applicable measures, can be adjusted at any time to reflect the client's risk situation.

Depending on the level of risk identified, Group companies must use at least the following client classification:

- **Persons whose admission is not permitted:** No natural or legal person may be accepted as a client, nor may business relations be established with those included in national or international sanctions lists, or with those for whom it is not possible to apply the due diligence measures established in Law No. 83/2017 of August 18 (Consolidated Act), as well as in any other case provided for in a legal regulation or in BPI's internal policy.

- **Medium and high-risk persons:** Their acceptance as clients is subject to enhanced due diligence and requires centralised approval.

- **All other persons or entities** must be subject to normal or simplified due diligence measures as established by applicable laws and regulations or internal procedures.

- **Client Identification:** The policies and procedures implementing these principles shall ensure that all clients are properly identified in accordance with applicable laws and regulations at any given time in each jurisdiction, including, in all cases, verification of identity by means of valid and updated documents.

- Under no circumstances will business relationships be maintained or transactions be conducted with individuals or entities that are not properly identified. It is absolutely forbidden to conduct business anonymously or through anonymous or fictitious accounts or encrypted assets.

- The beneficial owner of a legal entity or a legal arrangement without legal personality must be identified before establishing a business relationship or carrying out transactions. This obligation means that if there are indications or guarantees that clients are not acting on their own behalf, precise information must be obtained to identify the persons on whose behalf they are acting on, and sufficient documentation must be obtained to prove the powers with which they are acting.

- **Knowledge of the Client's business and assets:** Prior to entering a business relationship, BPI must obtain sufficient information about the client's professional or business activities and the source of the funds or assets.

- Depending on the level of risk associated with the client, additional measures may be taken consisting of documentary verification through reliable external sources of the information provided by the client, particularly about his/her professional or business activity, the source of the funds or assets and any other relevant information in accordance with internal rules and procedures.

4.3 Detection, control and analysis of operations

BPI must have the means to detect, control and analyse transactions. These means will be applied according to the risk involved and will in any case include three basic requirements for detecting operations:

- Internal reporting of evidence by Bank Employees;
- Detection of possible suspicious transactions through established alert systems;
- Communications from regulators or police or judicial authorities.

The detection of transactions involves a detailed and comprehensive analysis to determine whether there is evidence of money laundering or terrorist financing. The methodology for carrying out this analysis should be set out in a procedure known as the Special Examination Procedure.

Monitoring will be automated and will analyse activities based on standards set by law and best practices at any given time.

4.4 Reporting operations and other operating rules

The Bank must inform the Central Department of Criminal Investigation and Prosecution of the Prosecutor General's Office (DCIAP) and the Financial Intelligence Unit (FIU) on its own initiative if it knows, suspects or has reasonable grounds to suspect that certain funds or other assets, regardless of the amount or value involved, are derived from criminal activities or are related to terrorist financing.

In particular, transactions that clearly reveal an incompatibility with the nature, business volume, or operational history of clients must be reported to supervisory authorities.

The decision to report is the responsibility of the competent body and will be taken by the authorised representative, who will send the report in accordance with the internal procedures in place, using the form and support established by the Competent Authorities for this purpose.

Without prejudice to the evidence reporting, BPI will promptly implement additional risk management and mitigation measures which should consider the risk of disclosure.

BPI Employees must not engage in any current or future transaction or series of transactions that they know, or suspect may involve funds or other assets derived from or related to the conduct of criminal activity or terrorist financing.

BPI, as well as the members of its governing bodies, those who exercise managerial, executive or supervisory functions, its employees, representatives and any other person to whom it provides services on a permanent, temporary or occasional basis, shall not disclose to the Client or to any third party that it has been the subject of a report to internal control bodies or supervisory bodies or that it is or will be the subject of an analysis of operations relating to money laundering or terrorist financing.

4.5 Sanctions and restrictive measures management

To comply with the restrictions imposed by the Sanctions Programmes, BPI must:

- Identify and comply with the Sanctions Programmes of the United Nations (UN), the European Union (EU), the Office of Foreign Assets Control (OFAC) in the United States, the Office of Financial Sanctions Implementation (OFSI) in the United Kingdom, and local programmes applicable in the jurisdictions in which BPI operates as part of the Caixabank Group.
- Assess the risks associated with activities related to the Sanctions Programmes to determine the risks of participating or intervening in activities restricted or prohibited by Sanctions.
- Refrain from conducting business or engaging in transactions with sanctioned persons.
- Comply with prohibitions and restrictions on transactions, payments or business relationships and refrain from engaging in them if they constitute a breach of the Sanctions Programmes.
- Block or freeze funds or financial assets as required by the Sanctions Programmes and report the execution of restrictive measures to the competent authorities.
- Implement internal control and prevention mechanisms to ensure compliance with legal obligations under the Sanctions Programmes, including automated filtering procedures and tools for clients and operations.

4.6 Document retention

BPI keeps the identification documents, as well as any other transaction registration documents that allow their reconstitution, for a period of 7 years from their execution, even if the business relationship has already been terminated.

Documents shall be stored on a durable medium and archived in such a way that they can be properly preserved, easily located and immediately accessible at the request of the judicial, police, sectoral or tax and customs authorities.

All applicable laws regarding confidentiality, secrecy and data protection must be always observed.

4.7 Training

Raising awareness of the risks associated with these crimes is a key element in the fight against money laundering and terrorist financing and sanctions and restrictive measures.

BPI must establish, maintain and implement an ongoing training programme for its employees, starting as soon as new employees are onboarded, to ensure an appropriate level of awareness, and establish policies to ensure that all employees (including members of management and supervisory bodies) are aware of the risks associated with money laundering and terrorist financing and sanctions and restrictive measures.

The training programme must be validated by the responsible for regulatory compliance and the body responsible for training.

A record should be kept of the training given, its content and the employees who have received it and were approved.

4.8 Consolidated risk management

BPI considers that the best way to combat the risks associated with these Principles is their consolidated management and the uniform and aggregated management of information related to the management of these risks at Group level.

The principle of aggregated or consolidated management is therefore a fundamental pillar of the prevention model and allows the efforts of BPI and all the entities part of Caixabank Group to be coordinated in a uniform manner and the risks to be assessed and managed in an aggregated manner. For this reason, all entities part of the Group will inform CaixaBank promptly of high-risk relationships, sensitive activity data and associated risks, and will respond promptly to any request for information which CaixaBank may make in the management of regulatory and reputational risks related to money laundering, terrorist financing and Sanctions.

In any case, these obligations are understood to be without prejudice to the strict compliance with the applicable laws and regulations, particularly those relating to data protection and privacy. BPI and all entities part of Caixabank Group will adopt the necessary measures to protect the confidentiality and privacy of the data thus communicated between the entities.