
Corporate governance framework on the prevention of money laundering and financing terrorism

Grupo Catalana Occidente

Introduction

The Board of Directors of Grupo Catalana Occidente, S.A. is responsible for the design, assessment and ongoing review of the governance system, in particular, for establishing an organisational structure and a transparent and suitable allocation of functions that ensures sustainable, healthy and prudent management of all activities and efficient mechanisms for internal control, through the approval of the policies and procedures encompassed within the governance system, which develop the principles and values of GCO, as defined in its Code of Ethics.

The nature of the financial activities of GCO (**hereinafter, “GCO” or the “Group”**), which include the insurance activity, in particular in the field of life insurance, the pension fund manager, investment and credit services, real state business, as well as a foundation, born with the objective of channelling sponsorship and **patronage work and the Group’s commitment to society**, implies that certain entities belonging to the Group are considered to be bound entities in the prevention of money laundering by virtue of Law 10/2010, of 28 April, on the prevention of money laundering **and the financing of terrorism (hereinafter, “Law 20/2010”)** and its development regulations, approved by Royal Decree 304/2014, of May 5.

In particular, the bound entities of GCO are the following:

- Occident GCO, S.A.U. de Seguros y Reaseguros (“Occident”)
- Nortehispana de Seguros y Reaseguros, S.A.U.
- GCO Gestora de Pensiones, EGFP, S.A.U.
- Grupo Catalana Occidente Gestión de Activos, S.A.U., S.G.I.I.C.
- Catalana Occidente Capital Agencia de Valores, S.A.U.
- Bilbao Hipotecaria, S.A., Establecimiento Financiero de Crédito
- Grupo Catalana Occidente, Activos Inmobiliarios, S.L.
- Fundación Occident
- Fundación Mémora
- Inversions Catalana Occident, S.A.U. (branch of Occident in the Principality of Andorra, which applies the policies and **procedures of the Group’s bound entities, in accordance with the requirements applicable by virtue of Andorran law**).

The Group’s credit insurance business is not a bound subject under Law 10/2010, without prejudice to be governed and complied, by its corresponding policies and procedures, the regulations in force in each state in which it operates. In the same sense, the Group’s funeral business is not an obligated party either.

The dissemination of this Corporate governance framework on the prevention of money laundering and the financing of terrorism of GCO has as its object and purpose the promotion of transparency and contributing to maintaining the trust of its stakeholders, enabling them to relate to the Group without fearing the risks arising from misuse of the financial system and other sectors of economic activity for money laundering and the terrorist financing to influence their ability to decide and act freely, through the proper implementation of internal control and communication policies, procedures and bodies implemented by the Group to prevent and impede this from occurring.

Principles and values

Among the general principles and values that inspire the operation and performance of GCO, as set out in its Code of Ethics, are sustainability, transparency and confidentiality, impartiality, professionalism, and integrity and honesty, that is, a commitment to the legality and principles of professional ethics with the persons who relate to the Group, whether they are shareholders, employees, clients in the broad sense of the term, suppliers, distributors or collaborators, and in particular, with the prevention of money laundering and the financing of terrorism.

GCO has always been firmly committed to fully complying with the regulations on the prevention of money laundering and the financing of terrorism, in particular with Law 10/2010, and its development Regulation and other implementing regulations, the guidelines and recommendations of the monitoring authorities on the prevention of money laundering and the financing of terrorism and of the competent supervisory authorities, due to the nature **of the Group's bound entity, and best practices and international standards**, particularly as regards the recommendations of the Financial Action Task Force (FATF).

As a result, GCO has designed and implemented a compliance system for the prevention of money laundering and the financing of terrorism, international financial sanctions and countermeasures and blocking the financing of terrorism, in accordance with these principles intrinsic to prevention and promoting their presence in all processes and procedures, in particular the following:

- Adequate organisational structure, with the establishment of roles and responsibilities, endowed with the material, human and technical resources necessary for the development of its functions, with implication of the management and awareness of the entire organisation in the prevention of money laundering and the financing of terrorism.
- Establishment of controls and supervisory mechanisms at Group level, applicable to the **GCO's bound entities, including its subsidiaries and foreign branches**, in accordance with the requirements of the country of origin.
- A risk-based focus, through a process of identification and periodic self-assessment of the risk to which the Group's bound entities are exposed by reason of their activities and businesses, in order to adopt effective mitigation measures consistent with the nature of the risks, whether simplified, ordinary or reinforced.
- Improved transparency and availability of information and control in operations on the final beneficiary of legal entities, other structures and trusts (beneficial owner).
- Implementation of international financial sanctions and countermeasures relating to the prevention and suppression of terrorism and its financing, the proliferation of weapons of mass destruction and their financing, and blocking the financing of terrorism, as applicable.
- **Assumption of the duty of confidentiality and prohibition of disclosure of the Group's bound entities and their directors** in respect of special reviews of operations that may be related to money laundering or the financing of terrorism and its eventual communication to the supervisory authorities.
- Disclosure systematically and by indication of suspected money laundering or terrorist financing transactions to the competent supervisory authorities.
- Cooperation and maintenance of records on operations for the purpose of fulfilling the information requirements that the supervisory authorities require in the exercise of their powers.

- Establishment of independent, secure and anonymous internal information systems and channels (whistleblower channel) regarding potential non-compliances, adoption of protection measures for informers and prohibition of reprisals and information on external information channels, and the supervisory authorities, in accordance with the provisions of Law 2/2023, of February 20, regulating the protection of people who report regulatory infractions and the fight against corruption, which transposes Directive (EU) 2019 /1937 “Whistleblowing”.
- Implementation of the regulation on the protection of personal data to processing derived from compliance with due diligence obligations on the prevention of money laundering and the financing of terrorism and of the reinforced technical and organizational measures resulting from the data protection impact assessment to guarantee the integrity, confidentiality and availability of personal data.
- Approval of an annual training plan aimed at the continuous training of the Group’s bound subjects, focusing on the practical aspect so that they have due knowledge on the requirements arising from the regulations on the prevention of money laundering and the financing of terrorism, to detect risky operations and train them on how to proceed.
- Establishment of appropriate policies and procedures to ensure high ethical standards in the hiring and conduct of employees, managers and insurance brokers.
- Zero tolerance for any operation that may be related to money laundering or terrorist financing and the existence of effective, proportionate and dissuasive sanctions applicable to bound subjects.

Organisational structure and functions

The sustainability strategy of GCO guides its scope of action towards the creation of value for society, ethics, transparency and commitment to legality, voluntarily integrating in it a responsible management in so far as economic, social and environmental aspects, encouraging ethical behaviour towards its stakeholders, rigorously applying the principles of good governance and contributing to the welfare of society through the creation of sustainable social value as a result of its integration not only in the short but also in the medium and long terms.

In line with its sustainability strategy, the Group has identified the prevention of money laundering and the financing of terrorism as a key point of its organisation and, in order to ensure fulfilment of such objectives of the development of its activity under the criteria of responsibility, ethics, transparency and commitment to legality, maximisation of the creation of sustainable value for its stakeholders in all its dimensions, the prevention and mitigation of any negative impacts on the issue and the contribution to improving the reputation of the Group **and the entities comprising it. To this end, the Group’s Board of Directors has provided the necessary and adequate organisational structure, functions, governance policies and control mechanisms for its achievement, and whose proper implementation in accordance with the defined guidelines is ensured by its Management Committee, and in particular, the following:**

- GCO has the key function of compliance verification, which is part of the Group’s integral system of internal control and governance, and is framed in the second line of defence, in coordination with the other fundamental functions and supported by the entire organisation and includes advice to the management bodies of the entities that make up the Group, regarding compliance with the laws, regulations and administrative provisions affecting them, as well as compliance with their internal regulations, and the evaluation of the possible impact of any changes in the legal environment on **the Group’s operations, and the determination and assessment of**

compliance risk, in particular, the prevention of money laundering and the financing of terrorism.

- GCO has a Compliance verification committee for the coordination, supervision and establishment of common criteria for all the entities that make up the Group in relation to the application of the legislation affecting them, and is responsible for ensuring compliance with the internal rules developed in relation to the system for the prevention and detection of crimes in which the legal entities of the Group may incur, including those relating to money laundering and terrorist financing, whose **composition, functions and frequency of meetings is regulated in the Group's Code of Ethics** and its implementing protocols, in particular, the Protocol of the Head of Criminal Compliance.
- GCO has a Representative designated to the Executive Service of the Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC), designated by the Group on the basis of the established requirements and the functions provided for in Law 10/2010 and its development Regulation to ensure compliance with the regulations on the prevention of money laundering and terrorist financing, in particular, the obligations to inform Sepblac, to which end said representative will have unlimited access to all information pertaining **to the Group's bound entities, as the person of contact with the competent authorities, and for representing the Group in all kinds of administrative and judicial procedures in relation to the data gathered from the communications with the competent supervisory authorities.** In addition, the Andorran subsidiary of Occident, Inversions Catalana Occident, S.A.U. has a Representative designated for interactions with the Unitat d' Intel.ligència Financera d'Andorra (UIFAND), with similar functions to those described above.
- GCO has an Internal Control Body for the prevention of money laundering and the financing of terrorism as an executive body responsible for the implementation of the policies and procedures for the prevention of money laundering and the financing of terrorism, assuming the functions of the Compliance Verification Committee in this area, whose composition, functions and periodicity of its meetings are regulated in the **Group's Manual on the prevention of money laundering and financing of terrorism.**
- Likewise, GCO has a Technical Unit for the prevention of money laundering and financing of terrorism, whose mission is to assist and provide administrative support **to the Group's Internal Control Body in the development and execution of the functions entrusted to it in the Group's Manual on the prevention of money laundering and financing of terrorism.**
- GCO has the key function of risk management control, which is framed in the second line of defence, in coordination with the other fundamental functions and supported by the entire organisation, it is responsible for the identification, evaluation, control and management of current and emerging risks, in order to ensure the efficiency and effectiveness of the operations carried out within the Group and the entities comprising it.
- Finally, GCO has a Management Committee, to whom the Board of Directors has delegated the ordinary management of the Group which, among other functions, monitors the risk profile of the Group, to guarantee the management system of all the risks affecting the Group, including those relating to money laundering and terrorist financing, supported by the entire organisation through the Business Committees for General Insurance, Life and Credit, the Investment Committee and the Operations Committee, which controls the updating and assessment of risks and their periodic monitoring.

The aforementioned internal committees, key functions and responsible parties of the Group cooperate in the joint and coordinated performance within the organisation of the activities aimed at ensuring and guaranteeing compliance with the regulations on the prevention of money laundering and terrorist financing; permanently collaborating with the competent supervisory authorities on the matter in the territories where the Group companies operate; and participating actively in the working groups and advisory bodies on the subject of the most representative sectoral associations of which they are members.

Policies and procedures

The Board of Directors of GCO has approved in relation to the prevention of money laundering and the financing of terrorism, among others, the following policies and procedures, to which all the directors, employees, distributors and collaborators of the bound entities are obliged to comply:

- Manual on the prevention of money laundering and the financing of terrorism, the aim of which is to compile the internal control measures approved by the Group that must be implemented by **the Group's bound entities, and in particular, the applicable policies and procedures** on the subject and the internal control bodies responsible for their implementation, aimed at complying with the provisions of Law 10/2010 and its development Regulation, to prevent and mitigate the risks inherent to money laundering and terrorist financing.
- Self-assessment report on the risk of money laundering and the financing of terrorism, as an integral part of the Manual on the prevention of money laundering and the financing of terrorism, including analysis, periodic review and documentation of the **risks to which the Group's bound entities are exposed according to the nature of their activities and businesses**, under a risk-based approach, in order to establish and implement appropriate, proportional and effective measures to manage and mitigate the identified risks, following the recommendations on the internal control measures for the prevention of money laundering and the financing of terrorism of SEPBLAC; as well as the joint guidelines on approach and risk factors of the European Banking Supervisory Authority, the European Securities and Markets Authority and the European Insurance and Occupational Pensions Authority.
- Express policy on the acceptance of clients, as an integral part of the Manual for the prevention of money laundering and the financing of terrorism, which includes the criteria for weighting the risk of money laundering and the financing of terrorism established, inter alia, by reason of products, clients and activity, amounts and means of payment of the transaction, as well as the list of non-admissible or prohibited risks.

Likewise, Inversions Catalana Occident, S.A.U. has for its activities in the Principality of Andorra, **in addition to the policies and procedures of the Group's bound entities referred to above**, its own policies and procedures in accordance with the requirements established by Andorran legislation, in particular, an internal regulation on the prevention of money laundering and the financing of terrorism, as well as an assessment of the risk of money laundering and the financing of terrorism specific to the Andorran business.

GCO ensures the permanent updating of policies and procedures to any modification of the legal environment and the assessment of the risk of compliance through its periodic reviews, at least on an annual basis, or, when new circumstances so advise, taking into account the evolution of the business and activities carried out, as well as any other external factors that may influence the assessment of the risks, which are the object of dissemination among the bound subjects for their due knowledge and application, and it promotes a culture of compliance with the

prevention of money laundering and the financing of terrorism through ongoing awareness-raising and training for managers, employees and insurance distributors of the Group's bound entities.

Due diligence measures

GCO applies appropriate, proportional and effective due diligence measures for the prevention and mitigation of the risks of money laundering and the financing of terrorism to which the **Group's bound entities are exposed by reason of their activities and businesses, that, in accordance with the regulations on the prevention of money laundering and the financing of terrorism, shall be of simplified, ordinary or reinforced natures, depending on the nature of the risks identified and assessed, and that include, among others, the following:**

- Implementation of simplified due diligence measures for public law entities in the Member States of the European Union (EU), financial institutions, except for payment entities, with registered address in the EU and companies listed on regulated EU markets.
- Implementation of regular due diligence measures for the prevention of risks, of formal identification and of the beneficial owner, of the purpose and nature of the business relationship and of the continuous monitoring of the same, and of the beneficiaries of life and investment products.
- Implementation of reinforced due diligence measures for persons with public responsibility, family members or close associates; of internal control measures and special examination in case of risk operations of money laundering and financing of terrorism identified following the regular assessment of the risks to which the activities of the Group's bound entities are exposed; in operations from risky persons and jurisdictions; and duty of abstention from the establishment or maintenance of non-admissible or prohibited business relationships.
- Access to databases and records for the prevention of money laundering and the financing of terrorism related to persons with public responsibility, persons sanctioned by the European Union and the United Nations Organization, and actual ownership of legal entities **for the application of due diligence measures of the Group's bound entities.**
- Risk identification and assessment prior to the launch of new products, channels or business practices or the use of new technologies in the development of these products, with a view to adopting due diligence measures from the design to manage and mitigate these risks.

In addition, GCO warrants the adoption of controls and procedures to ensure that the bound subjects acting under its authority, including specific mechanisms for monitoring and controlling the agents activities, comply with the due diligence measures set out in the **Group's Manual for the prevention of money laundering and the financing of terrorism, the Group's other internal regulations in this field and the applicable laws.**

Control and monitoring mechanisms

GCO has an internal control system that covers the supervision of all the processes performed by the entities comprising the Group, with the aim of providing a reasonable degree of security in the achievement of objectives within the following categories:

- Efficiency and effectiveness of operations.
- Reliability of financial information.
- Asset protection.
- Compliance with applicable laws and regulations, in particular regulations on the prevention of money laundering and the financing of terrorism.
- Appropriate mechanisms regarding their solvency to identify and measure all existing significant risks and adequately cover those risks with eligible own funds.

Likewise, the bound entities of the Group have in place as part of their internal control procedures a system of alerts and controls for the detection of events or operations subject to special examination in case they could be related to money laundering or terrorist financing, in accordance with the provisions of the GCO's **Manual for the prevention of money laundering and the financing of terrorism**. This system takes into account, through the corresponding software applications, among others, the weighting of the risks of money laundering or terrorist financing, in relation to the client, operation and distribution channel, and which derives, under a money laundering and terrorist financing risk approach, in the implementation of appropriate due diligence measures to effectively manage and mitigate risks identified and assessed in the risk analysis.

In addition, GCO has a risk management control system, which has the main objective of identifying, measuring, controlling, managing and reporting the risks to which the Group is or may be exposed, including the risks of money laundering and the financing of terrorism, and in particular the operational risk understood as the risk of loss arising from the inadequacy or dysfunction of internal processes, personnel, systems, or external events. The main elements of this system are risk governance, risk management process and business strategy, aligned **with the risk strategy, in order to meet the risk appetite and tolerance set by the Group's Board of Directors**, thus fostering a common risk culture within the Group and ensuring the efficiency of the risk management control system.

In addition to the supervision and control tasks, GCO is regularly audited; first, internally, through the fundamental function of internal auditing of the Group, configured as a third line of defence and with the aim of improving and protecting the value of the entities that make up the Group, providing them with objective assurance, advice and knowledge based on risks and that periodically verifies the adequacy and effectiveness of the internal control measures and procedures implemented by the **Group's bound entities, in compliance with the GCO's Manual for the prevention of money laundering and the financing of terrorism and the Group's other internal regulations** in this field.

Finally, the Group's bound entities are also subject to external audits and, in particular, to the annual review by an external expert according to the Law 10/2010 and its development Regulation, as well as the provisions of the revised text of Law 14/2017 of June 22 on preventing and combating money or securities laundering and the financing of terrorism, of the Principality of Andorra, which analyses the Group's procedures, internal control bodies and communication for the prevention of money laundering and the financing of terrorism, and the result of which is set out in a report that provides a detailed description of the existing internal control measures and assesses their operational effectiveness.

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Disclaimer

This document is a translation of its original version in Spanish. In case of discrepancy between both versions, the Spanish version will prevail.
