



Policy governing the relations of the BPER Group Banks and Companies with defence operators, weapons manufacturers and dealers

Modena, 30/11/2023

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1 General aspects

Summary of the main topics/amendments

This Policy (hereinafter "Policy") governs the relations of the BPER Group Companies and defence operators with companies involved in the production of and trade in armament material and military supplies, as further detailed below.

The amendments made to the previous version concern:

- deletion, from this document, of the list of destination countries considered eligible ("White List"), available on the company intranet
- modification of the procedure for preparation and submission of the application for a waiver on individual transactions
- revision of the organisational structure with the introduction of the ESG Strategy Office and the CFO.

Preparer:

ESG Strategy Office

Approver:

Board of Directors

Recipients of the document:

Banks		Group companies			
IT aligned		Ancillary services	Financial		Other subsidiaries*
x	Bper	MO Terminal	- Credit		Adras
x	Bibanca	Bper Real Estate	x	Bper Factor	Sifà
x	Banco di Sardegna	Bper Reoco	x	Sardaleasing	Arca Holding
x	Banca Cesare Ponti	Bper Trust Company		Finitalia	Commerciale Piccapietra
Abroad			- Non-Credit		St. Anna Golf
	Bper Bank Luxembourg			Estense C. Bond	St. Anna Gestione Golf
				Estense C.B.CPT	Annia
				Optima Sim	Bridge Servicing
				Arca Fondi SGR	
				Carige C. Bond	
				Lanterna Finance	
				Lanterna Mortgage	
				Argo Mortgage 2 - in	

				liquidation		
				Carige Covered Bond 2 - in Liquidation		
				Lanterna Lease - in liquidation		
				Centro Fiduciario C. F. - in liquidation		

*falling within the scope of consolidation but not part of the Banking Group

Process Tree:

Process Tree	Description
Area	Management process
Macroprocess	ESG Strategy
Process	Regulation of relations of the BPER Group Banks and Companies with Companies involved in the production of and trade in armament material

2 Definitions

- "Brokering" means the activities put in place exclusively by companies registered with the National Trade Register as defined in Article 3 of Law no. 185/90 that:
 - 1) negotiate or manage transactions that may entail the transfer of goods included in the common list of military goods from one Member Country or Third State to any other State
 - 2) purchase, sell or arrange for the transfer of said goods in their possession from one Member Country or Third State to any other Member Country or Third State
- «Intra-Community passage»: the transport of military goods through one or more Member States other than the originating and receiving Member States;
- "Export licence" means the authorisation, granted in compliance with Directive 2009/43/EU, to supply defence-related products to a legal or natural person in any country that is not part of the European Union
- "Intra-community transfer licence" means an authorisation by a national authority of a Member State pursuant to Directive 2009/43/EU for suppliers to transfer defence-related products to a recipient in another Member State;
- «Delocalisation of production» means the transfer by a national company of production processes or processing phases relative to military goods to the territory of Third Countries
- "Recipient" means the natural or legal person established within the Community who is legally responsible for the receipt of a transfer
- "Export" means the handling of military goods from a supplier located in the national territory towards one or more recipients located outside the customs zone of the European Community. This type of operation includes the following customs regimes:
 - permanent export
 - outward processing
 - re-export
 - temporary export, as defined by the Community Customs Code
- "Supplier" means the natural or legal person established within the Community who is legally responsible for a transfer
- "Import" means the handling of military goods from suppliers located outside the customs zone of the European Community towards recipients located in the national territory. This type of operation includes the following customs regimes:
 - release for free circulation and consumption
 - customs warehousing
 - inward processing
 - processing under customs control
 - temporary admission
 - re-import, as defined by the Community Customs Code
- "Military goods" are intended to be items that, in the light of their technical, manufacturing and design requirements or characteristics are considered to be prevalently manufactured for military use or for use by armed or police forces classified as such in compliance with Art. 2 of Law 185/90
- "Defence products" refers to the goods listed in the annex to Directive 2009/43/EC as later amended
- "Armaments Team" , for the purposes of this document, means the working group aimed at giving an advisory opinion on the application for waiver. The team comprises a member of the ESG Strategy Service, a member of the Operating Risk Office (in charge of reputational risk) and a member of the Export Control and Monitoring Office
- "Passage through" means both the internal transit, namely the circulation of military goods originating from a EU Member Country within the customs zone of the European Community by passing through the territory of a third non-EU member State without any change to its customs status, and the external transit, namely the circulation of military goods not originating from a EU Member Country within the customs zone of the European Community towards a Member State other than the receiving Member State, or to be exported to Third Countries

- "Transfer" means any movement (loading/unloading) of military goods from one means of transport to another within the territory of the EU
- "Intangible transfer" of military goods refers to the transmission of software or technology by electronic means, telefax, telephone, e-mail or any other means, including making said software or technology available outside the national territory in digital format;
- "Intra-community transfer": refers to any transmission or movement of a defence-related product from a supplier to a recipient in another European Union Member State
- Reporting Organisational Unit for the purposes of this document, refers to the ESG Strategy service of the Parent Company and the equivalent organisational units in the Group Companies that regularly update the list of companies operating in the defence and armament sector and submit the requests for waiver to the ESG Strategy service of the company it belongs to.

3 Content of regulatory sources

3.1 Macroeconomic context

The relationship between banks and companies involved in the production of and trade in armament material has long been the subject of attention by the Italian civil society, particularly by associations whose aim is to prevent Italy and its companies from becoming involved in the production, purchase and sale of so-called controversial weapons, especially where the counterparties are located in countries that are subject to international sanctions.

Therefore, BPER Banca's Board of Directors has decided to regulate its groupwide relations with companies involved in the sector of armaments and military supplies in a consistent and controlled way. This Policy is in line with and constitutes a natural evolution of the principles set forth in the Code of Ethics of the Parent Company.

The main national reference standards in this context are Italian Law no. 185/90 (which establishes specific restrictions on the export, import and transit of certain type of military goods) and the Regulations issued by the European Union - as applicable at any given time - prohibiting the direct or indirect import and/or export of goods and technologies included in the Common Military List of the European Union or equipment which might be used for internal repression, as well as related brokering services, financing and financial aid. In particular, Law no. 185/90 clearly prohibits trading with Countries engaged in armed conflict and with countries whose governments are responsible for severe violations of international conventions on human rights. Law no. 185/90 also establishes an important transparency principle, which requires the Government to report annually to Parliament on the amount and type of operations authorised.

Despite being considered as one of the most restrictive international laws on the issue, Law no. 185/90 presents some limitations, including as a result of a recent revision of the regulatory framework that has added margins of discretion to the criteria for authorising the export of war material.

It is important to highlight that Law no. 185/90 exclusively regulates the export, import and transit of military goods.

On the contrary, the scope of application of this Policy is much wider, as illustrated below.

In relation to operations supporting the import/export of armament material, the BPER Group has chosen not to establish an absolute prohibition, but to adopt rules with a view to establishing the operations that can or cannot be authorised. Group Companies will continue to be included in the annual Reports drawn up by the Presidency of the Council of Ministers pursuant to Law no. 185/90, but they will be included in relation to operations that, according to the Group, minimise the risk that the goods produced, or services rendered be destined to parties other than those with democratic governments or subjects legitimately authorised to the use of force.

By regulating other types of operations (more specifically, financing), Group Companies prove their commitment to transparency over the most relevant aspects of the relationship between credit institutions and defence operators.

3.2 Reference values and principles

The issue of the relationship between Credit Institutions and defence operators can only be properly addressed by taking into consideration the broader context it is part of.

In outlining this Policy, the Group Companies sought the right balance among some of their general values of reference:

- promotion of human rights and peace
- respect for peoples' and nations' right to defence and security
- respect for freedom of enterprise and economic initiative (including of arms manufacturers) within the framework of the rules of the law.

This means seeking to strike a balance between the ideal tension towards a model of society and relations based on mutual respect and the rejection of violence, with the realistic consideration being that the complete absence of weapons, even just to maintain public order, does not appear to be a viable option at the moment.

In addition to these considerations is a reflection on respect for freedom of enterprise and economic initiative: the production of armaments, although morally controversial, is a fully legitimate activity under the law in force. In consideration of this, Group Companies in the provision of their services do not discriminate *a priori* against subjects operating in the sector.

Group Companies, however, are committed to accurately assessing the characteristics and behaviours of the counterparties they come into contact with, so as to avoid engaging in transactions that are incompatible with their reference values and principles.

The specific values pursued in the banking activity are:

- fairness
- transparency
- responsibility.

In compliance with these values, listed below are the specific principles which this Policy is inspired by:

- modularity: definition of diversified attention levels in relation to the ethical implications of each type of transaction
- flexibility: definition of rules for the process, rather than formal and absolute prohibitions
- applicability: continuous monitoring of the application of the Policy and regular updates on procedures and cases covered by the Policy
- co-responsibility of counterparties: involvement of stakeholders and particularly of Corporate customers in a transparency path
- accountability: regular reporting of information concerning the application of the Policy and results therefrom
- openness and dialogue: willingness to discuss with organised, acknowledgedly authoritative "stakeholders" in their context of reference (e.g. trade associations, networks of non-governmental organisations, research centres, university departments).

3.3 Scope of application

Group Companies do not intend to apply a blanket rule limiting operations to the entire armament manufacturing industry.

The rules governing relations with this industry are in fact differentiated on the basis of three elements, which explain the rationale of choice of the BPER Group:

- type of counterparty
- nature of the activities and/or financial services applied for
- characteristics of the final recipient.

3.3.1 Type of counterparty

The counterparties potentially involved in the application of this Policy include:

- manufacturers or traders of 'controversial' weapons that are banned or regulated under international Conventions or Treaties, (anti-personnel mines, cluster munition, biological, chemical or nuclear weapons, weapons of mass destruction banned under International Treaties)
- manufacturers or traders of conventional weapons and defence operators.

Companies engaged in the storage and brokerage of weapons are excluded from the scope of application of this Policy, as are manufacturers engaged in the production of and trade in sporting, hunting and collectible weapons, "common firearms" and "non-automatic short firearms" and their munitions. The company's standard rules governing the processing and disbursement of loans and the provision of services apply to these counterparties.

3.3.2 Nature of the financial activities and/or services covered by the Policy

The financial activities and services falling within the scope of application of this Policy include :

- Direct shareholdings of BPER Banca or its subsidiaries in Companies that manufacture or trade armament material
- Financing (of any kind, including "signature loans" and "general credit", also commonly referred to as "credit lines") for Companies manufacturing or selling armament material
- Wire transfer collection and payment services, unconfirmed export documentary credit, payment of documented remittances or collection of documented remittances in favour of companies manufacturing or selling armament material
- Management of deposits and investments (including cash held in current accounts, asset management, treasury management, cash pooling) for Companies manufacturing or selling armament material.

3.3.2.1 Special cases of waiver for the management of financing activities and/or services referred to in paragraph 3.3.2

All exceptions to the Group Policy in the Group Companies must be submitted in advance to the ESG Strategy Office, the Chief Executive Officer of the Parent Company who, if needed, will inform the Parent Company's Board of Directors, proposing any adjustments supported by the necessary substantiating evidence.

Every request for waiver made for individual transactions (payment collection, export credit or financing) is regulated by the "Operating instructions for the process governing the Relations of the BPER Group Banks and Companies with companies involved in the production of and trade in armament material".

3.3.3 Characteristics of final recipients

With regard to conventional weapons and defence systems, one of the main discriminating factors for determining the eligibility of a transaction is the country and nature of the end user of the goods and services in question.

The intention is to prevent or contain the risk that the goods produced, or the services provided are destined to countries ruled by non-democratic Governments.

To minimise this risk, Group Companies restrict the number of Countries of destination to which export is possible.

The list of Countries of destination deemed eligible (hereinafter the "White List") comprises EU or NATO Member States and some States, specifically identified in a dedicated document published on the company's intranet and available in the document repository (under code 02.21.0453 - Guidelines - White List of countries of destination of military goods)

The list may be amended/supplemented, also on the basis of reports by stakeholders of the Group Companies.

The BPER Group reserves the right to exclude a given State from the "White List" on its own initiative, if it becomes aware of proven facts and circumstances attesting to serious violations of human rights and the potential exposure of the Group Banks and Companies to reputational risk; this applies also until a ruling is made by the international bodies in charge of regulating relations between States. In that case, BPER Banca shall disclose the amendments through its information channels.

The proposed inclusion/exclusion of a given State is assessed by the ESG Strategy Office and then submitted to the Board of Directors for approval. The information disclosed within the Group through the dedicated channels has immediate effect on all of the BPER Group Companies.

3.4 Counterparty identification

The ESG Strategy Office and the Group Companies monitor the sector lists, if available, to identify the names of any companies involved in the production of and trade in armament material which maintain or intend to maintain relations with the Group Companies, in order to keep the positions listed in the Master Database constantly updated, even if the information mainly derives from customer relationship managers.

The main sources available are the following:

- lists included in the Annual Reports of the Presidency of the Council of Ministers to the Parliament, pursuant to Law no. 185/90
- lists of Member companies of trade associations of the sector (AIAD, Italian Federation of Companies for Aerospace, Defence and Security, and ANPAM, Italian National Association of Manufacturers of Arms and Ammunition)
- lists provided by international research centres (in particular, SIPRI) and reports submitted by civil society organisations
- suggestions from the specialised press and other specialised sources of information.

The Companies that maintain relations with the Group Companies shall disclose information on their activities via self-certification, as established by the operating instructions for the process governing the Relations of the BPER Group Banks and Companies with companies involved in the production of and trade in armament material.

The information acquired will facilitate the identification of defence operators and arms manufacturers potentially included among the Group Companies' existing customers and will, first and foremost, allow the informed assessment of requests made by new prospective customers.

The industry players which the Group Companies come into contact with are then further classified on the basis of:

- ratio of military to civil turnover
- target markets for their military production.

3.5 Regulation of Operations

The compatibility of the transactions with this Policy, as mentioned before, is ascertained based on:

- i. the type of material produced by the counterparties
- ii. the Countries of destination of the material.

3.5.1 Manufacturers of weapons banned or regulated by international treaties ("controversial weapons")

The Group Companies strictly exclude any relationship with companies that manufacture weapons that are banned or regulated by International Treaties, a.k.a. "controversial" weapons.

No form of direct participation by the Group Companies in the share capital of such manufacturing companies and (should the latter be part of Corporate Groups) of their Parent Companies will be authorised, nor shall any type of financial service (loans, collection and payment services in Italy and abroad, export credit, deposits and investments, current accounts) be provided to them.

3.5.2 Manufacturers of conventional weapons and defence operators

3.5.2.1 Direct participation

No direct participation by BPER Banca and its subsidiaries in the share capital of companies manufacturing or selling the following products will be authorised: Conventional weapons, sporting, hunting and collectible weapons, common firearms and non-automatic short firearms. Similarly, no shareholdings in companies that store weapons or perform brokering activities are permitted.

3.5.2.2 Financing

Relations between Group Companies and manufacturers and traders of conventional weapons are conditional

upon an assessment of the breakdown of the turnover of such companies (percentage share of "military" revenues out of overall turnover) and type of markets in which they operate (analysis of the Countries with which the "military" turnover is made).

3.5.2.2.1 Businesses with predominantly civil turnover

Companies with a turnover that can be considered predominantly of "civil" origin (more than 60% of total turnover) are usually considered eligible for financing.

3.5.2.2.2 Businesses with significant military turnover

Businesses with a significant turnover of 'military' origin (more than 40% of the turnover in the last financial year) are considered to be non-compliant with the values of Group Companies if more than 30% of the revenues of military origin are made with countries that are not on the "White List".

The counterparty's position may change if its sources of revenue or countries of destination change to such an extent that it falls within/out of the above parameter.

Consequently, companies that generate more than 70% of their turnover from "military" origin in countries on the "White List" are considered eligible for financing.

3.5.2.2.3 Empowerment of counterparties

In order to correctly classify the various companies on the basis of the nature and composition of their turnover, the Group Companies, through the units concerned, request individual companies to provide the data necessary for the above-mentioned assessments, as required by this Policy, on the basis of self-certification.

3.5.2.3 Collection services

Transactions are authorised, provided that (in addition to being authorised by the competent Authorities under Law No. 185/90) they are in compliance with the provisions of the "Armaments Policy", i.e. that the end user of the transaction is based in a country on the "White List".

In the event that the customer relationship manager requests recourse to the waiver procedure, he/she will also need to verify that the transaction has as its end user a government entity or a government-controlled private entity and is destined to countries that maintain bilateral defence agreements with the Italian State

3.5.2.4 Opening and management of deposits and investments

This kind of transaction is authorised, without restrictions, for non-producers of banned or internationally regulated weapons ("controversial weapons").

3.5.3 Summary table by transaction and type of service

	Producers of weapons that are banned or prohibited under international treaties ("controversial weapons").	Manufacturers of conventional weapons and defence operators.	<ul style="list-style-type: none"> - Manufacturers of hunting or sporting weapons only - Manufacturers of collectible weapons only - Manufacturers of common firearms and non-automatic short firearms - Weapon storage companies - Commercial brokers.
Direct shareholdings	NO	NO	NO
Financing	NO	<ul style="list-style-type: none"> • YES, if the turnover is predominantly "civil" (over 60% of turnover) • YES, if over 40% of turnover is "military" but over 70% is generated in "White List" countries • NO, in the remaining cases. 	YES
Collection services (in Italy and in foreign countries), export credit	NO	<p>YES, if authorised under Law no.185/90.</p> <p>However, with strong limitations depending on the Country and nature of the end user (see Para. 3.6.3).</p>	YES
Deposits and investments management.	NO	YES	YES

**4 Roles and responsibilities
of the Parent Company:**

Corporate body O.U.	Description of Roles and Responsibilities
Board of Directors	<ul style="list-style-type: none"> - Approves the White List and, upon proposal of the ESG Strategy Office, the motion to exclude/include a specific Country from the List - Approves the annual armaments report
Chief Executive Officer	<ul style="list-style-type: none"> - Approves exceptions to the management of the financial activities and/or services covered by this Policy, upon proposal of the ESG Strategy Office - Including on the basis of the assessments made by the Armaments Team, approves requests for waiver submitted by the Group Companies (excluding the Parent Company) with regard to financing operations, entry in the database and opening of accounts, acquisition of holdings, collection and payment and Export/Import credit for companies involved in the production of and trade in armament material
CFO Area	<p>The CFO:</p> <ul style="list-style-type: none"> - Including on the basis of the assessments made by the Armaments Team, approves waiver requests submitted by BPER with regard to financing operations, entry in the database and opening of accounts, acquisition of holdings, collection and payment and Export/Import credit for companies involved in the production of and trade in armament material
ESG Strategy Office	<ul style="list-style-type: none"> - manages the requests for flagging or unflagging code no. 190 by making due reports to the Master Database through the dedicated application - maintains updated the locally managed electronic database of companies operating in the defence and armament sector, including on the basis of sector lists being monitored, where available - enters the requests for waiver relating to the management of the activities and/or services covered by this Policy for all the Group Companies, through the dedicated IT application PED - <i>Pratica Elettronica di Determinazione (Electronic decision-making request)</i> - upon express request, passes opinions on applications for direct shareholdings submitted by the Shareholding Office, and on financing applications submitted by relationship managers - It prepares the annual armaments report <p>The Head:</p> <ul style="list-style-type: none"> - passes an opinion on requests for waiver submitted by all of the Group Companies
Armament Team	<ul style="list-style-type: none"> - passes an opinion on requests for waiver submitted by the ESG Strategy Office

Other Group companies

Corporate Body / O.U.	Description of Roles and Responsibilities
Reporting organisational unit	<ul style="list-style-type: none"> - keeps an updated list of companies operating in the defence and armament sector, including on the basis of sector lists being monitored, where available - submits formal requests for waiver to the ESG Strategy Office

5 Annexes

5.1 Version history

The version history is provided below:

Version	Date of approval	Directive No.	Summary of amendments
1.0	31/07/2012	22/2012	Release
2.0	26/11/2020	62/2020	Update relating to: <ul style="list-style-type: none"> - the type of regulatory source adopted, i.e. conversion of the "Group Guidelines governing relations of the BPER Group Banks and Companies with Defence operators and Weapons manufacturers" into a Group Policy. - document recipients - Amendment to the White List (Annex 4.3)

5.2 Regulatory framework

External regulations:

Law 185/90 as later amended and supplemented "New provisions on controlling the export, import and transit of military goods".

Regulations issued by the European Union - in force at any given time - prohibiting the direct or indirect import and/or export of goods and technologies included in the Common Military List of the European Union or equipment which might be used for internal repression, as well as the related brokering services, financing and financial assistance

(2) Directive 2009/43/EC of the European Parliament and of the Council of 6 May 2009, simplifying terms and conditions of transfers of defence-related products within the Community and subsequent national transposition measures

Legislative Decree no. 105 of 22 June 2012 - amendments and additions to Law no. 185 of 9 July 1990, establishing new rules for the control of export, import and transit of military goods, implementing Directive 2009/43/EC, simplifying terms and conditions of transfers of defence-related products within the Community, as amended by Directives 2010/80/EU and 2012/10/EU as regards the list of defence-related products

Law no. 220 of 9 December 2021 "Measures to ban the funding of manufacturers of anti-personnel mines, cluster munitions and submunitions."

Ministerial Decree of 7 January 2013, no. 19 - Regulation implementing Law no. 185 of 9 July 1990, pursuant to Article 7 of Legislative Decree no. 105 of 22 June 2012.

Treaty on the Non-Proliferation of Nuclear Weapons of the United Nations, signed in 1968, prohibiting each nuclear-weapon State Party to the Treaty from transferring to any other States nuclear weapons and/or enabling technologies for their construction

Arms Trade Treaty (ATT), enforced on 24 December 2014 and transposed into Law by Italy in September 2013, which regulates the trade in conventional arms to prevent and eradicate illicit trade, in order to contribute to international security, reduce human suffering and promote responsible action of by State Parties in the international trade in conventional arms;

the United Nations Convention on prohibitions or restrictions on the use of certain conventional weapons which may be deemed to be excessively injurious for warring armies and civilians, signed in Geneva in 1980

The United Nations Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on their Destruction (or The Mine Ban Treaty) signed in Ottawa in December 1997

The United Nations Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons, which was signed in Paris in 1993 and entered into force on 29 April 1997

The Convention of the United Nations on the prohibition of the development, production and stockpiling of bacteriological (biological) weapons and toxin weapons and on their destruction, which was signed in 1972 and entered into force on 26 March 1975,

The Hague Code of Conduct against Ballistic Missile Proliferation in force since 2002, which binds the Signatory States to mutual transparency in the development and deployment of ballistic missile technology

Convention on cluster munitions, signed in Dublin in 2008, which prohibits the use, stockpiling, production and transfer of cluster munitions

The Wassenaar Arrangement Voluntary control scheme on transfers of conventional arms and dual-use goods and technologies, in force since 1996

Transposition of Council Common Position 2003/468/CFSP of 23 June 2003 on the control of arms brokering;

Act adopted under the EU Treaty - Council Common Position 2008/944 defining common rules governing control of exports of military technology and equipment

With regard to nuclear and missile technologies, consideration is given to the guidelines prepared by working groups and voluntary associations of Countries, such as the "Nuclear Suppliers Group", the "Zangger Committee" and the "Missile Technology Control Regime".

Internal regulations:

Management Policy of the Bper Group

Group Policy on the Internal control system;

Group Risk Map

Code of Ethics