



## Guidelines regarding operations in the weapon materials and systems industry

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# 1 Introduction

## 1.1 Subject

The Guidelines govern the principles, roles and responsibilities regarding the management of operations with counterparties operating in the weapon materials and systems industry<sup>1</sup>.

## 1.2 Scope of application and implementation procedures

The Guidelines shall apply to Banco BPM (hereinafter "Parent Company") and the Group Companies.

The document and subsequent updates shall be applied by Group Companies which shall ensure that their own internal regulations are consistent with the Group Guidelines.

The document is approved by the Parent Company's Chief Executive Officer.

## 1.3 Summary of updates

Progressive number	Date of update	Update summary content
Initial approval	27/04/2020	
1st update	22/07/2022	Update to the changes of the Group's organisational structure
2nd update	28/11/2023	Update of the authorisation process for operations in the weapon materials and systems industry.

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<sup>1</sup> Everything which, due to technical, manufacturing and design requirements or characteristics, is such as to be considered to have been manufactured for prevalent use by the military, the armed forces or police.

## 2 General Principles

Operations with counterparties operating in the weapon materials and systems industry shall be monitored through the adoption of rules aimed at mitigating legal, administrative and reputational risks.

It is not permitted to implement:

- any type of banking, insurance or financing activity connected with the production or marketing of weapons that are controversial or banned by international treaties and, in particular nuclear, biological and chemical weapons, cluster and fragmentation bombs, weapons containing depleted uranium or anti-personnel landmines;
- operations in favour of counterparties of countries against which a total or partial embargo of war supplies has been declared by the European Union or the UN, or whose governments are responsible for serious violations of international conventions on human rights ascertained by the European Union, the UN or the Council of Europe<sup>2</sup>.

Subject to the above, on the other hand, the execution of transactions or the grant of loans to customers registered on the National Register of Companies in possession of the specific ministerial authorisations and in compliance with the rules defined by Italian Law 185/90 is permitted<sup>3</sup>.

The permitted transactions or financing shall be those connected to the production, domestic purchase and sale, import, export, intra-EU transfer, intermediation associated with the marketing and transit of materials and weapons systems to be used, definitively, by armed or police forces of countries belonging to the European Union, or NATO, or countries defined by the Parent Company's Board of Directors.

<sup>4</sup> The identification of these countries is subject to an investigative process which also takes into consideration whether or not they have undertaken formal commitments to disarmament and the non-proliferation of controversial weapons through the ratification of international treaties and whether the operations requested are provided for by a programme of cooperation or an intergovernmental agreement signed by the Italian Government.

The execution of operations or the granting of financing to counterparties or end users, the Italian public administration bodies, the Italian armed forces and, in general, the Italian government, not falling within the scope of applicability of Law 185/90, shall be processed with ordinary investigative processes and decision-making powers.

Customers operating in the weapon materials and systems industry shall be identified and highlighted in the information system to allow their recognition by all the functions involved.

A specific declaration, also all-inclusive, of exclusion or inclusion within the scope of applicability of Law 185/90 shall be acquired in advance from these customers in order to channel the authorisation and control processes relating to requests for credit and the

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<sup>2</sup> The lists of these countries are attached to the annual report of the Council of Ministers on Law 185/90 (available on the website of the Presidency of the Council of Ministers and on that of the Ministry of Foreign Affairs - UAMA).

<sup>3</sup> Law no. 185 of 9 July 1990 "New rules on the control of the export, import and transit of weapon materials" as amended.

<sup>4</sup> Law 185/90 prohibits, among other things, the export, transit, intra-EU transfer and brokerage of weapon materials to countries in a state of armed conflict, subject to compliance with Italy's international obligations or the various resolutions of the Council of Ministers, adopted subject to the advice of the Chambers.

execution of transactions. If the customer requests credit lines without specific purposes, a declaration of commitment not to use said credit lines for activities subject to Law 185/90 shall also be acquired.

In the case of inclusion within the scope of applicability of Law 185/90:

- for decisions regarding credit, the decision-making body shall be the Board of Directors of the Parent Company, as defined by the Regulation "Limits of autonomy and powers for the granting and management of credit", subject to the non-binding opinion of the Environmental, Social and Governance (ESG) Committee;
- for the authorisation to enter into contracts that do not provide for the use of any credit line (transactions relating to the transfer of funds) involving countries identified by the Board of Directors or belonging to the European Union or NATO, the responsibility shall be attributed to the Environmental, Social and Governance (ESG) Committee or, for programmes with a total amount lower than the materiality threshold of 100,000 Euros, to the head of the Global Transaction Banking function.

All related proposals are accompanied by the opinion of the Global Transaction Banking function with reference to the feasibility of the operations in compliance with the regulations, the opinion regarding compliance by the anti-money laundering function and the authorisation granted by UAMA<sup>5</sup> or by the Ministry of Defence subject to cases of exclusion established by law.

The Sustainability Board Committee shall be informed before the proposals are submitted to the Board of Directors, for its areas of competence.

The loans granted and the transactions carried out in application of Law 185/90 shall be communicated to the Ministry of Economy and Finance (MEF) in the manner and within the deadlines defined by it.

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<sup>5</sup> Unit for the authorisation of weapon materials of the Ministry of Foreign Affairs.