



## **Defence Sector Policy**

# Table of Contents

- 1 POLICY REQUIREMENT AND PURPOSE ..... 2**
- 2 APPLICABILITY AND SCOPE ..... 3**
  - 2.1 Scope of application .....3**
- 3 MINIMUM OPERATIONAL REQUIREMENTS..... 4**
  - 3.1 Perimeter selection .....4**
    - 3.1.1 Defence sector-related activities .....4
    - 3.1.2 Defence sector-related subjects .....5
    - 3.1.3 Products and services .....6
  - 3.2 Foundation Principles.....6**
  - 3.3 Forbidden financial support and other Banking activities .....7**
  - 3.4 Customer classification, related allowed supports, conditions, restrictions, and exclusions criteria .....7**
  - 3.5 Classification and management of juridical groups .....10**
  - 3.6 Reputational and ESG Risk Assessment .....11**
  - 3.7 End-users.....12**
- 4 ANNEXES .....13**

## **1 POLICY REQUIREMENT AND PURPOSE**

This regulation is issued in the broader context of reputational risk management, being an element of UniCredit Group's reputational risk management framework; the Group understands the concerns of many of its stakeholders (including shareholders, customers, and non-government organizations) regarding the financing of an industry that may derive its revenue and profits from conflicts and instability.

UniCredit Group understands the increasing adverse impacts that Defence-related activities - controversial and nuclear ones - have on environment, health, and humanitarian principles violation. UniCredit Group is aware of its responsibility towards society and have a position against the financing of such weapons, while acknowledging that certain types of weapons are necessary for the effective pursuit of morally sound and internationally accepted goals such as peacekeeping and national self-defense.

UniCredit Group is strongly committed to regulate and control all its financing and investment decisions, with particular attention given to potential reputational implications. Any transaction/project supported by the Group must be conducted with an overall objective of preventing or minimizing environmental, social, and associated reputational risks by defining criteria for the identification of allowed business and customers as well as criteria for the classification of the countries of destination and weapons.

Based on the above-mentioned elements and facts, the Group is committed:

- to support the export of conventional weapons, their key components or key infrastructure and related services, exclusively if the export:
  - is in line with the internal regulations that rule the export to the involved countries
  - is not breaching any local or international applicable law, including bans and embargos
  - is not addressed to regimes repressing civil population or suitable in conflict scenarios
  - is allowed based on an adequate due diligence performed by different decision bodies of the Group, taking into consideration the characteristics and the risk connected to the specific supplies and to the receiving countries
- not to provide, irrespective of the destination country, any financial support for activities/projects directly connected with Nuclear or Controversial weapons, their key components, or their key infrastructures.
- not to provide any financial support to subjects that directly operate in the Nuclear or Controversial weapons, in their key components and in their key infrastructures; UniCredit Group is available to evaluate and maintain a monitored financial support exclusively with those subjects whose nuclear activity is limited to the management of the national nuclear arsenal of US, UK or France and whose activity is fully compliant with the Nuclear Non-Proliferation Treaty
- to classify some countries as “forbidden” for which, for their characteristics and criteria placed by UniCredit Group, any kind of support to the export of military goods is not allowed regardless of any other consideration
- not to invest - neither in its own interest nor in the interest of its customers - in those subjects directly operating in the sector of Nuclear or Controversial weapons, in their key components and in their key infrastructures

This Defence sector Regulation invokes several guidelines, standards, international conventions, initiatives, recommendations, and other practices widely accepted by the international community and affected stakeholders as stated in the Annexes

## 2 APPLICABILITY AND SCOPE

This Regulation applies to UniCredit S.p.A. and the Group Legal Entities and must be applied in compliance with laws and regulations locally in force.

Should some of the provisions contained in this Regulation be less restrictive than provisions of local laws/regulations, then each Group Legal Entity will adopt the local, more restrictive, laws/regulations in force.

### 2.1 Scope of application

The present regulation refers to the **Defence Industry**. In particular it rules the management of business relationship with the sector-related subjects and to the allowed support with reference to

- conventional weapons
- nuclear weapons
- controversial weapons

and their key components, key infrastructures (including equipment/machinery) and key services.

Non-military use goods/services are out of the scope of this Regulation even if addressed to Defence-related subjects.

Hereinafter, terms such as weapon(s) and/or device(s) are used to refer to weapons themselves, as well as weapons key infrastructures, components, services.

This Regulation defines:

- Criteria to identify:
  - the activities that are ruled by the present Regulation (“Defence-related activities” in § 3.1.1)
  - the subjects that are ruled by the present Regulation (“Defence-related subjects” in § 3.1.2)
  - the banking financial products and services and all the other types of support offered by the Group, or other banking activities, that are ruled by the present Regulation (“Banking financial products, services and activities” in § 3.1.3), including asset management for own account

This regulation does not cover investment products which are regulated by ESG Product Guidelines.

### 3 MINIMUM OPERATIONAL REQUIREMENTS

#### 3.1 Perimeter selection

##### 3.1.1 Defence sector-related activities

The provisions of this Regulation apply to **Defence sector-related activities**, defined as all the activities (e.g., design, manufacturing, testing, trading, export, maintenance, ordinary operations, ...) related to the **weapons or other products destined to the Defence (military goods)**, their **key components**, or to the related **key infrastructures**, and **key services** requested for their effective and efficient operations.

**Activities** are classified into the following categories:

- a. **Conventional** weapons related activities
  - b. **Nuclear** weapons related activities
  - c. **Controversial** weapons related activities
- a. **Conventional weapons-related activities:** all the Defence-related activities involving conventional weapons provided that their international trade is **compliant with Arms Trade Treaty**<sup>1</sup>. The list of **conventional weapons** includes (but it is not limited to) the following items:
- small arms and light weapons;
  - missiles and missiles launchers;
  - large caliber artillery systems;
  - battle tanks;
  - armored combat vehicles;
  - combat aircraft;
  - attack helicopters;
  - war ships;
  - other typology of weapons or weapons related goods, and services defined as follows:
    - software/hardware and services related to electronic warfare and intelligence, referring to technologies aimed to control the electromagnetic spectrum, attack an enemy, or impede enemy assaults<sup>2</sup>
    - dual use goods defined by EU Regulation as items that can be used either for civil or military purposes<sup>3</sup>. The activities related to dual use goods are always subject to reputational risk assessment, unless the client provides a specific declaration stating that the goods are not for military use
    - components and accessories that are key elements used in the assembly of the weapons themselves and that are not included in the dual use<sup>4</sup> goods list
    - key services, including security professional services<sup>5</sup>
    - all other military goods not listed above as controversial or nuclear devices
    - hunting and sport weapons

---

<sup>1</sup>The Arms Trade Treaty (ATT) is a multilateral treaty that regulates the international trade in conventional weapons. It entered into force on 24 December 2014. At time of writing, 111 states have ratified the treaty, and a further 30 states have signed but not ratified it. The ATT is an attempt to regulate the international trade of conventional weapons for the purpose of contributing to international and regional peace; reducing human suffering; and promoting co-operation, transparency, and responsible action by and among states. The treaty was negotiated in New York City at a global conference under the auspices of the United Nations (UN). On 2 April 2013, the UN General Assembly has adopted the ATT.

<sup>2</sup>Electronic warfare can be applied from air, sea, land, and/or space by manned and unmanned systems, and can target humans, communication radar, or other assets (military and civilian).

<sup>3</sup>The dual use goods are disciplined by Regulation (EU) 2021/821. For Italy DL n. 221 – 15 December 2017 and subsequent modifications and integrations.

<sup>4</sup>The dual use goods are disciplined by Regulation (EU) 2021/821. For Italy DL n. 221 – 15 December 2017 and subsequent modifications and integrations.

<sup>5</sup> E.g., intelligence, physical security, services provided by cargo and handling agents licensed by local authority for military goods transport and/or logistic support, ....

- b. **Nuclear weapons-related activities.** Any kind of support to activities referred to nuclear weapons is not in the risk appetite of UniCredit Group.

The nuclear devices (also known as atom bombs, atomic bombs, nuclear bombs, or nuclear warheads) derive their destructive force from nuclear reactions, either fission (fission bomb) or a combination of fission and fusion reactions (thermonuclear bomb). Nuclear devices using other nuclear reactions not listed here are ruled by the present regulation as well.

- c. **Controversial weapons-related activities.** Any kind of support to activities referred to controversial weapons is not in the risk appetite of UniCredit Group.

Devices that are referred/identified through the international obligations, treaties and legislations listed in Annex C, are considered as controversial equipment for the purpose of this Regulation.

The list of **Controversial devices** includes (but it is not limited to):

- **Biological weapons and Chemical weapons** - 1972 Biological and Toxin Weapons Convention (BTWC) and the 1993 Chemical Weapons Convention (CWC)
- **Anti-personnel mines** (1997 Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction)
- **Cluster munitions** - 2008 Convention on Cluster Munitions (CCM).
- **Depleted uranium ammunition and armour** - There is currently no convention or legal framework banning the use of depleted uranium<sup>6</sup>.
- **Incendiary weapons** - Their use is limited to clearly defined military targets by Protocol III of the Convention on Certain Conventional Weapons (CCW).
- **White phosphorus weapons for incendiary weapons** - There is currently no convention or legal framework comprehensively banning white phosphorus as weapon.
- Any tools and equipment which could be used for **capital punishment, torture or other cruel, inhuman, or degrading treatment or punishment** (ref Regulation (EU) 2019/125).
- **Blinding laser weapons** - Defined by the 1995 Protocol IV on Blinding Laser Weapons as laser weapons specifically designed as their sole combat function or as one of their combat functions, to cause permanent blindness to unenhanced vision, that is to the naked eye or to the eye with corrective eyesight devices

### 3.1.2 Defence sector-related subjects

This regulation applies to Defence sector-related subjects, defined as potential or effective corporate customers belonging to the following categories:

- all the companies operating in the Defence sector, as designers, producers, traders, distributors or suppliers of weapons, their components, their infrastructures, and their services as defined in § 3.1.1.
- all the companies whose activity of export of military goods is submitted to specific authorization from the local authorities
- all companies - whose business is related to dual use<sup>7</sup> products - are subject to reputational risk assessment - unless the customer provides a specific declaration certifying that the goods and services supplied are exclusively for civil use

Munition stores (retail sellers) **are not subject** to the annual Reputational Risk Annual Clearance pursuant to this policy, without prejudice to the usual assessments of the business (e.g. bad news, legal proceedings, etc.).

<sup>6</sup> The official definition of depleted uranium given by the US Nuclear Regulatory Commission (NRC) is uranium in which the percentage fraction by weight of U-235 is less than 0.711%.

<sup>7</sup>The dual use goods are disciplined by Regulation (EU) 2021/821. For Italy DL n. 221 – 15 December 2017 and subsequent modifications and integrations.

For the purpose of this Regulation, banking products, services, and activities have been categorized as follows:

### 3.1.3 Products and services

- **General Finance** – all type of financing support non dedicated to specific purposes.
- **Sustainability-linked Revolving Credit Facility** – general financing and related services (including guarantees, letters of credit, M&A and capital market products, hedging/derivatives and other associated facilities) linked to the company's ESG score, specific sector indicators or KPIs, with prevailing market standards at the relevant point in time included in the contract (authorized by the Local Sustainability function or, when not available, by Global Sustainability Function) to demonstrate and bind the customer commitment.
- **Controversial Defence-related Activities financing** - financing and related services (including guarantees, letters of credit, working capital solutions, factoring, and leasing products, advisory and M&A and capital market products, hedging/derivatives, and other associated facilities) dedicated to specific purposes clearly earmarked to **Controversial Defence-related Activities and projects** as described above in section § 3.1.1.
- **Nuclear Defence-related Activities financing** - financing and related services (including guarantees, letters of credit, working capital solutions, factoring, and leasing products, advisory and M&A and capital market products, hedging/derivatives, and other associated facilities) dedicated to specific purposes clearly earmarked to **Nuclear Defence-related Activities and projects** as described above in section § 3.1.1.
- **Conventional Defence-related Activities financing** - financing and related services (including guarantees, letters of credit, working capital solutions, factoring, and leasing products, advisory and M&A and capital market products, hedging/derivatives, and other associated facilities) dedicated to specific purposes clearly earmarked to **Conventional Defence-related Activities and projects** as described above in section § 3.1.1.
- **Other (non-Defence-related) Activities financing** - financing and related services (including guarantees, letters of credit, working capital solutions, factoring, and leasing products, advisory and M&A and capital market products, hedging/derivatives, and other associated facilities) dedicated to specific purposes other than Defence-related activities and projects.
- **Basic Banking Services** - current Account Management, collection & payments, Cash Pooling, Trade Finance and Structured Trade & Export Finance (including Guarantees and Letters of Credit, Buyer's Credit, Supplier's Credit, and other ECA covered transaction), Direct Debit & Credit Card.

**Advanced Banking Services** - all type of banking products and services not included in the above categories. (e.g., Advisory, Capital Markets products and services, hedging/derivatives for general risk management purposes)

For investment products please refer to ESG Product Guidelines.

## 3.2 Foundation Principles

The Regulation is based on the following **Foundation Principles**:

1. UniCredit Group is available to **support the export of conventional weapons**, their key components, key infrastructures and key services, **not addressed and suitable to authoritarian regimes repressing civil population, or addressed and suitable to countries involved in conflict scenarios** and - in any case - exclusively after an **adequate due diligence performed by appropriate decision bodies of the Group, taking into consideration the characteristics and the risk connected to the specific supplies and to the receiving countries**

2. UniCredit Group does **not provide any kind of support for activities/projects directly connected with Nuclear or Controversial weapons**, their key components, or their key infrastructures and key services
3. UniCredit Group does **not provide any support to companies directly involved in the Nuclear or Controversial weapons related activities**; UniCredit Group is available to evaluate and to maintain the business relationship **exclusively with those companies whose activity is limited to the management of the national nuclear arsenal of democratic Countries, whose nuclear activities started before the signature of the Non-Proliferation Nuclear Treaty** and whose activity is fully compliant with the Treaty itself
4. UniCredit Group does **not invest** - neither in its own interest nor in the interest of its customers - **in those subjects that directly operate in the Nuclear or Controversial weapons**, in their key components, their key infrastructures and key services
5. UniCredit Group **identifies forbidden countries** where support is not allowed, regardless of any other consideration
6. UniCredit Group does **not maintains commercial relations with trading/brokering companies in military goods**
7. **The Group supports activities related to Defense sector only to Group UniCredit clients.** Requests of support to non-Clients of the Group should be evaluated case by case

### 3.3 Forbidden financial support and other Banking activities

According to the Foundation Principles stated in § 3.2, UniCredit Group does not provide any support:

- directly aimed at **Nuclear or Controversial Defence-related activities**, as defined in § 3.1.1
- directly aimed at **exporting** Defence devices as defined in § 3.1.1 (including conventional ones), their key components, their key infrastructures, and their key services **into forbidden countries**

regardless of the fact that the customer is a Defence-related subject or not.

UniCredit Group **does not invest** its own assets in companies that are directly involved in **Nuclear or Controversial Defence-related activities**.

### 3.4 Customer classification, related allowed supports, conditions, restrictions, and exclusions criteria

For the purposes of this regulation, client companies as defined as § 3.1.2 are classified in **three classes** based on their alignment with the foundation principles stated in § 3.2. **Each class defines the banking financial products and services** that can be granted and the related conditions, restrictions and exclusions that must be applied to each client.

The classification of each Defence sector-related subject is to be done within the Reputational Risk Clearance process, to be conducted at least once a year or whenever at least a parameter concurring to define the classification shows a change, as described in § 3.6.1.

#### A Class “Full Support” –Clients operating only in the Conventional Defence Sector

##### Classification criteria

- a. **Not having any direct involvement** in the **Controversial weapons -related activities** (i.e., no current revenues from Controversial weapons -related activities)



**AND**

- b. Not having any direct involvement in the Nuclear weapons-related activities** (i.e., no current revenues from Nuclear weapons-related activities)

Allowed Support

- All the products and services offered by the bank are allowed except for the forbidden support as specified in § 3.3, provided that no other impediment exists (e.g., bad news on the customers, ongoing legal proceedings, ...)

**B Class “Monitored Support” – Selected Customers, approved by UniCredit, operating in the nuclear weapons Sector**

Classification criteria

- a. Not having any direct involvement in the Controversial Defence-related activities** (i.e., no current revenues from Controversial Defence-related activities)

**AND**

- b. Having a direct involvement in the Nuclear Defence-related activities**, for the **management of the national nuclear arsenal**, exclusively under the mandate and agreement of the Governments of countries (defined as Cluster 1) that are:

1. recognized by the **Treaty of non-proliferation of Nuclear Weapons (NPT)** as nuclear-weapon States<sup>8</sup>

**AND**

2. with a level of democracy at least corresponding to **“Flawed Democracy”**, according to the classification of EIU Democracy Index<sup>9</sup>

At the time of issuing of this Regulation, Countries which match the above criteria are United States of America, United Kingdom and France.

Allowed Support

The following products and services are allowed provided that no other impediment exists (e.g., bad news on the customers, legal proceedings on going, ...):

- All identified Basic Banking Services, except for Cash Pooling (to be assessed on case-by-case basis)
- All identified Advanced Banking Services
- Identified Lending, except for General Financing and Sustainability-Linked RCF (to be assessed on case-by-case basis)

Conditions, Restrictions and Exclusion criteria

- Any request for **Cash Pooling and General Financing** (setting of new credit line renewing, extension) must be evaluated and authorized by Local Reputational Risk Function provided that no other impediment exists (e.g., public bad news involving the customer). under the following condition:
  - Specific provisions must be set to ensure that the provided financing shall not be used for the nuclear activities of the customer

---

<sup>8</sup>“For the purposes of this Treaty, a nuclear-weapon State is one which has manufactured and exploded a nuclear weapon or other nuclear explosive device prior to 1 January 1967” - Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

<sup>9</sup> Democracy Index, compiled by the Economist Intelligence Unit (EIU), division of the Economist Group, measuring the state of democracy in 167 countries and territories.

At the end of the positive local process, before proceeding, a Non Binding Opinion (NBO) by Group Reputational Risk Function must be obtained.

- Any request for **Sustainability-linked financing** must be evaluated and authorized by Local Reputational Risk Function provided that no other impediment exists (e.g., public bad news involving the customer) under the following conditions:
  - Sound and challenging Sustainability KPIs
  - Penalties for not matching the targets are adequate to demonstrate a clear and binding commitment and are at least in line with the market practice
  - The company did not fail, at least in the previous three years, in matching targets in any other Sustainability-linked financing (done with UniCredit Group or with other banks)
  - Positive opinion by Local Sustainability Functions (or by Group Sustainability Function, in case the Local Function is not present in the Legal Entity), on the above conditions

At the end of the positive local process, before proceeding a Non Binding Opinion (NBO) by Group Reputational Risk Function must be obtained.

The approval bodies of the Reputational Risk Clearance on the business relationship with the client have the possibility to insert any other restrictive conditions deemed necessary case by case (e.g., early repayment in case of outstanding financing of nuclear weapons related activities.).

### **C Class “Phase Out” - Customers operating in the Controversial Defence Sector or in the Nuclear Defence Sector not eligible for B Class**

#### Classification criteria:

- a. Having a direct involvement in the Controversial Defence-related activities** (i.e., producing revenues from Controversial Defence-related activities)

**OR**

- b. Having a direct involvement in the Nuclear Defence-related activities for Governments** of countries that are:

1. with a level of democracy lower than “Flawed Democracy”, according to the classification of EIU Democracy Index (Cluster 2)

**OR**

2. not recognized by the Treaty of non-proliferation of Nuclear Weapons (NPT) as nuclear-weapon States (Cluster 3)

**OR**

- c. Having a direct involvement in the Nuclear Defence-related activities for third parties** other than legitimate Governments

**OR**

- d. Being included in any forbidden list of Defence operators** if any.

#### Allowed Support

- No support allowed.

#### Conditions, Restrictions and Exclusion criteria

- For existing customers, any Group existing exposure - regardless of the fact it is linked or not to Defence-related activities - must be phased out as soon as possible, avoiding any legal or reputational risks. Phase out plan from the relationship has to be prepared by the Relationship Manager and submitted for approval to the Local Reputational Risk Function

- For new customers, the onboarding is not allowed

The table below provides a synthetic view of the definitions and conditions expressed above.

Class	Criteria	Basic Banking Services							Advanced Banking Services			Lending					
		Current Account Management	Collection & Payments for Controversial or Nuclear activities	Collection & Payments for Conventional or no-Defence related activities	Cash pooling	TF & EF (L.C. Guarantees...) for Conventional or no-Defence	TF & EF (L.C. Guarantees...) for Controversial or Nuclear activities	Direct Debit/Credit Card	Advisory	Capital Market Products & Services	Hedging & Derivatives for general risk management purposes	General Financing	Sustainability-Linked RCF	Controversial Defence-related Activities financing	Nuclear Defence-related Activities financing	Conventional Defence-related Activities financing	Other (non-Defence-related) Activities financing
<b>Class A</b>	Conventional only	✓	n.a.	✓	✓	✓	n.a.	✓	✓	✓	✓	✓	✓	n.a.	n.a.	✓	✓
<b>Class B</b>	Conventional and Nuclear (Cluster 1)	✓	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	n.a.	✗	✓	✓
<b>Class C</b>	Controversial or Nuclear (Cluster 2/3) or Blacklist	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗	✗

Allowed ✓ To be decided case-by-case ✗ Forbidden  
 Cluster 1: US – UK – F; Cluster 2: RU – CHI; Cluster 3: all the other countries

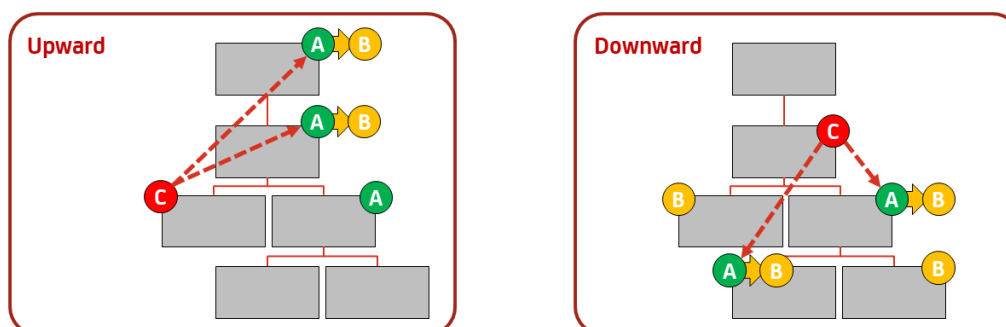
### 3.5 Classification and management of juridical groups

Companies belonging to the same juridical group have to be assessed on a one-by-one basis, since different conditions can lead to different classifications. For the classification of a company, the other companies related to the Defense sector and belonging to the same juridical group must be evaluated as well.

For the purposes of this Regulation, a company is considered a subsidiary whenever at least 25% of its shares is owned by a controlling company.

Within a juridical group:

- B Class assigned to a company does not influence the classification of any other company**, neither upward (parent company classification), nor downward (subsidiaries classification)
- C Class assigned to a company downgrades from A Class to B Class** both upward and downward controlling and controlled companies (if the latter are B Class companies, their classification is unchanged in B Class)



### 3.6 Reputational and ESG Risk Assessment

A Reputational and ESG Risk Assessment is requested in case of:

1. **Reputational Risk Clearance**, for all the Defence-related subjects:  
for **existing customers**, at least once a year ("**Annual Reputational Risk Clearance**") or whenever one or more conditions that define the Reputational and ESG Risk profile of the customer show a change (e.g. parameters considered in the customer classification, news on the customer publicly available, legal proceedings involving the customer, NGOs, or activist relevant initiatives ("**Reputational Risk Clearance on Event**"), for on-boarding **new customers**, before the on-boarding procedure is completed
2. **Single Deal Reputational Risk Evaluation** for all the new deals or transactions requested by the customer, to be financed or supported by the Bank in any way, which are involving a Defence-related subject. Deals connected to Defence-related activities, are subject to restrictions for financial support as specified in § 3.4

The Single Deal evaluation must consider the risk level of the weapons, the country of destination, the end user as per following details and guidelines:

#### 1. Classification of Weapons

The weapons classification reports a detailed risk classification of weapon and product typologies, based on their specific characteristics

#### 2. Classification of the Country of destination

The Group defines and classifies the level of risk of the countries of destination based on the combination of following drivers:

- **Embargoes and sanctions programs** as per Sanctions and Embargoes related lists set up by UniCredit Group Financial Sanctions
- **Overall level of conflict** – Level of conflict deriving from the combination of:  
**Uppsala Conflict Data Program (UCDP)**  
**World Bank (WB) list** of countries in conflict
- **Overall level of democracy** - Level of democracy deriving from the combination of:  
**Global Peace Index (GPI)**, reported by the Institute of Economics & Peace (IEP) which measures the countries' peacefulness through 23 indicators of peace  
**Freedom House Report** assessing the condition of political rights and civil liberties around the world  
**EIU Democracy Index** reported by the Economist Intelligence Unit, based on indicators grouped in five categories, measuring the electoral process and pluralism, the functioning of government, the civil liberties, the political participation and the political culture, and provides the state of democracy for nearly 200 countries
- **Arms Trade Treaty (ATT)** – International Treaty whose signature and implementation obliges member states to monitor arms exports and ensure that weapons don't cross existing arms embargoes or end up being used for human-rights abuses, including terrorism. Member states, with the assistance of the U.N., will put in place enforceable, standardized arms import and export regulations and is expected to track the destination of exports to ensure they do not end up in the wrong hands
- **Government-to-Government Defence cooperation agreements** - Presence of a formal Gov-to-Gov military agreement in validity between the Italian Government and the Governments of end user – assessed on case-by-case basis - allows to classify High Risk instead of Forbidden
- **Other assessments** (such as being a member or candidate member of the European Union or NATO, social fragility, managerial adjustments, ...).

All the above criteria for the country lists definition are **intentionally based on a clear and objective base, referring to public and independent sources** and are considered for the risk classification of a country.

### 3.7 End-users

The weapons final end-users shall be Governments, Governmental Organizations, State-Owned Companies or Supranational Organizations

**Any other end-user should not be allowed** or considered and assessed case by case by the local RepRisk Function, except for Defence manufacturers receiving supplies of components that are necessary for their business.

## 4 **ANNEXES**

### **ANNEX A - Minimum requirements for subjects**

Any **companies** that establish business **relationships with UniCredit** or are engaged in initiative/project/transaction with UniCredit Group support **must ensure** (minimum set of environmental and social criteria) that:

- the company acts in **compliance with all locally effective host country social and environmental laws, regulations and permits**
- the company is committed to respect the **Ten fundamental principles of the United Nations Global Compact:**

#### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

#### Labor

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labor;
- Principle 5: the effective abolition of child labor; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

#### Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

#### Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Further information at this link: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

- the company acts in compliance with the **Core Labour Standards (CLS) of the International Labour Organization (ILO).**

Since 1919, the ILO has maintained and developed a system of international labour standards aimed at promoting opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and dignity.

CLS are a set of four internationally recognized fundamental human rights:

- Freedom of association and the right to collective bargaining (ILO Convention 87 and ILO Convention 98): The right of workers and employers to form and join organizations of their choice is an integral part of a free and open society. It is a basic civil liberty that serves as a building block for social and economic progress. Linked to this is the effective recognition of the right to collective bargaining. Voice and representation are an important part of decent work
- Freedom from forced labour (ILO Convention 29 and ILO Convention 105): The ILO is pressing for national laws and stronger enforcement mechanisms, such as legal sanctions and vigorous prosecution against those who exploit forced labourers. By raising public awareness, ILO seeks to shine a spotlight on such human and labour rights violations.
- Freedom from child labour (ILO Convention 138 and ILO Convention 182): Child labour is work that deprives children of their childhood, their potential, and their dignity. Globally,

152 million children aged 5 to 17 are in child labour. About half of them (72.5 million) perform hazardous work that places their health, safety or moral development at risk.

- Freedom from discrimination (ILO Convention 100 and ILO Convention 111) in respect of employment and occupation

There are additional labour standards that develop aspects of these CLS, such as those on workers with family responsibilities, protection of migrant workers, working hours for young workers, occupational health and safety, employment promotion and minimum wages and payment of wages.

Further information at these links: <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/lang--en/index.htm>; [Conventions and protocols \(ilo.org\)](https://www.ilo.org/conventionsandprotocols)

- The company acts in compliance with internationally recognized environmental and social standards, namely the **International Finance Corporation (IFC) Performance Standards (PS)**. Within the financial sector, standards published by the World Bank Group, especially by its private sector arm, the IFC, provide a practical and widely accepted framework for assessing and controlling environmental and social risks and impacts. Part of IFC's Sustainability Framework, the Performance Standards provides guidance on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way. The IFC applies performance standards to manage social and environmental risks and impacts and to enhance development opportunities in its private sector financing. The eight Performance Standards (PS) establish criteria that the counterpart is to meet throughout the life of an investment by the IFC or another financial institution:
  - PS 1: Assessment and Management of Environmental and Social Risks and Impacts
  - PS 2: Labor and Working Conditions
  - PS 3: Resource Efficiency and Pollution Prevention
  - PS 4: Community Health, Safety, and Security
  - PS 5: Land Acquisition and Involuntary Resettlement
  - PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources
  - PS 7: Indigenous Peoples
  - PS 8: Cultural Heritage

In high-income OECD countries<sup>10</sup>, local or national law is an acceptable substitute for these minimal requirements.

Further information at this link: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

---

<sup>10</sup> Countries member of the OECD ([www.oecd.org](http://www.oecd.org)) and listed as High Income countries as per the criteria of the World Bank. This list can be accessed at: <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>

## **ANNEX B - Minimum requirements for deals**

UCG applies minimum requirements for supporting single deals.

Any deals for which a LE of the Group is going to provide any financial product or service must not involve or affect any of the following:

### **UNESCO World Heritage Sites**

A UNESCO World Heritage Site is a site (such as a forest, mountain, lake, desert, monument, building, complex, or city) that is on the list that is maintained by the international World Heritage Programme administered by the UNESCO World Heritage Committee. A World Heritage Site is a place of either cultural or physical significance. The programme catalogues, names, and conserves sites of outstanding cultural or natural importance to the common heritage of humanity.

<https://whc.unesco.org/en/list/>

### **IUCN I-IV protected areas**

IUCN, the International Union for Conservation of Nature, helps the world find pragmatic solutions to our most pressing environment and development challenges. It supports scientific research, manages field projects all over the world and brings governments, non-government organizations, United Nations agencies, companies and local communities together to develop and implement policy, laws and best practice. IUCN is the world's oldest and largest global environmental network - a democratic membership union with more than 1,000 government and NGO member organizations, and almost 11,000 volunteer scientists in more than 160 countries. Protected areas are internationally recognized as major tools in conserving species and ecosystems. Up to date information on protected areas is essential to enable a wide range of conservation and development activities. Protected areas are locations which receive protection because of their environmental, cultural or similar value. Countries often have extensive systems of protected areas developed over many years. These systems vary considerably country to country, depending on national needs and priorities, and on differences in legislative, institutional and financial support. Protected areas transcend different environments from the highest mountains to the deepest sea, across forests, deserts, lakes and even national boundaries (territories).

A protected area is:

“A clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values”.

The first key point of this definition is that the primary objective of the protected area is conservation of nature. The second key point is that the protection is 'effective'. This will generally mean that the area is protected by an Act of Parliament, in the case of public land, or by a covenant or conservation agreement, in the case of privately owned, or indigenous land.

<https://www.iucn.org/>

<https://www.iucn.org/resources>

<https://www.iucn.org/content/protected-area-categories>

### **Ramsar Convention on Wetlands**

The Convention on Wetlands, signed in Ramsar, Iran, in 1971, is an intergovernmental treaty which provides the framework for national action and international cooperation for the conservation and wise use of wetlands and their resources. There are presently 159 Contracting Parties to the Convention, with 1847 wetland sites, totalling 181 million hectares, designated for inclusion in the Ramsar List of Wetlands of International Importance.

<https://www.ramsar.org/>

<https://www.ramsar.org/sites/default/files/2023-08/sitelist.pdf>

### **Critical Natural Habitat**

World Bank definition of critical natural habitat:



- (i) existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas; or
- (ii) sites identified on supplementary lists prepared by the World Bank. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for bio-diversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species. Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of component species; representativeness; and integrity of ecosystem processes.

<https://thedocs.worldbank.org/en/doc/2d2c6d80b4b5c06d5e519c2ac32de0c6-0290012023/original/OP-4-04-Annex-A-Definitions-Natural-Habitats.pdf>

According to the Guidance Note for Borrowers prepared by World Bank under the Environmental & Social Framework for IPF Operations, a critical habitat are areas with high biodiversity importance or value, including:

- a. Habitat of significant importance to Critically Endangered or Endangered species, as listed in the IUCN Red List of threatened species or equivalent national approaches;
- b. Habitat of significant importance to endemic or restricted-range species;
- c. Habitat supporting globally or nationally significant concentrations of migratory or congregatory species;
- d. Highly threatened or unique ecosystems; and
- e. Ecological functions or characteristics that are needed to maintain the viability of the biodiversity values described above in (a) to (d).

<https://documents1.worldbank.org/curated/en/924371530217086973/ESF-Guidance-Note-6-Biodiversity-Conservation-English.pdf>

### **Primary Tropical Moist Forests**

Primary forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years. Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 24°C or higher. Also included in this category, however, are some forests (especially in Africa) where dry periods are longer but high cloud cover causes reduced evapotranspiration.

[https://wwf.panda.org/discover/our\\_focus/forests\\_practice/importance\\_forests/tropical\\_rainforest/](https://wwf.panda.org/discover/our_focus/forests_practice/importance_forests/tropical_rainforest/)

### **High Conservation Value Forests**

The concept of High Conservation Value Forests (HCVFs) was first coined at the Earth Summit held in Rio de Janeiro in 1992. It was later developed as a conservation operational tool by the Forest Stewardship Council (FSC). As defined by the FSC “HCVFs are forests of outstanding and critical importance due to their environmental, socio-economic, cultural, biodiversity and landscape value.”

<https://wwfeu.awsassets.panda.org/downloads/hcvffinal.pdf>

UniCredit Group does not provide any financial support or service for activities not compliant with:

**UniCredit’s Human Rights Commitment** which includes the principles and systems adopted by UniCredit for its operations pertaining to human rights

### **UN Declaration on the Rights of Indigenous Peoples**

The Declaration is a comprehensive statement addressing the human rights of indigenous peoples. It was drafted and formally debated for over twenty years prior to being adopted by the General Assembly on 13 September 2007.

The document emphasizes the rights of indigenous peoples to live in dignity, to maintain and strengthen their own institutions, cultures and traditions and to pursue their self-determined development, in keeping with their own needs and aspirations. Other U.N. bodies address indigenous rights through

Conventions such as the International Labour Organization's Convention No.169 and the Convention on Biological Diversity (Article 8j).

([www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf))

### **Additionally, UniCredit Group applies Equator Principles framework**

The Equator Principles are a framework for banks to identify and manage environmental and social risks and impacts. Environmental & social issues, risks and impacts translate into financial credit risk for the financier, the credit extended to a borrower and to reputational risk for the financier over time. The Equator Principles have evolved and been refined over time in three updates once in 2006 (EP II), in June 2013 (EP III) and in 2020 (EP IV). The underlying standards which the Equator Principles base on are the World Bank Environmental Health and Safety Guidelines and the IFC Performance Standards. They also formulate additional requirements like client Disclosure, Reporting and Transparency, CO2 Reporting of clients, human rights due diligence and Information Exchange between Equator Principles Financial Institutions restricted to environmental and social information.

The Equator Principles apply for the following financial products: Project Finance Advisory and Project Finance (both Greenfield and Brownfield) with capital costs exceeding USD 10 million (around EUR 8.2 million); Project-Related Corporate Loans with and without ECA support and a financing volume of at least USD 50 million €, where UniCredit has an individual commitment of at least USD 50 million); Bridge to Project Finance or Project-Related Corporate Loan; Project-Related Refinance and Project-Related Acquisition Finance.

Further information at this link: <https://equator-principles.com/about-the-equator-principles/>

## **ANNEX C - Treaties and Regulations**

### **Obligations, commitments & legislations**

#### **C1. International obligations of States under international Treaties**

##### **Arms Trade Treaty (ATT)**

##### **Treaty on the Non-Proliferation of Nuclear Weapons (NPT)**

The NPT is a landmark international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy and to foster the goal of achieving nuclear disarmament and general and complete disarmament.

##### **The Comprehensive Nuclear-Test-Ban Treaty (CTBT)**

The CTBT bans all nuclear explosions in all environments, for military or civilian purposes.

##### **Treaty Banning Nuclear Weapon Tests in the Atmosphere, in Outer Space and under Water (Partial Test Ban Treaty)**

It is a treaty prohibiting all test detonations of nuclear weapons, except underground. It was developed both to slow the arms race (nuclear testing was, back then, necessary for continued nuclear weapon advancements) and to stop the excessive release of nuclear fallout into the planet's atmosphere.

##### **Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases and Bacteriological Method of Warfare (Geneva Protocol)**

It prohibits the use of chemical and biological weapons.

##### **International Code of Conduct against Ballistic Missile Proliferation (ICOC) (also known as the Hague Code of Conduct against Ballistic Missile Proliferation)**

The ICOC was subscribed by a group of States that recognize its principles, i.e., primarily the need to prevent and curb the proliferation of ballistic missile systems capable of delivering weapons of mass

destruction and the importance of strengthening multilateral disarmament and nonproliferation mechanisms.

## **C2. International obligations of States under international Conventions**

### **Biological Weapons Convention (BWC)**

The Convention bans the development, production, stockpiling, acquisition, and retention of microbial or other biological agents or toxins in types and in quantities that have no justification for peaceful purposes. It also bans weapons, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict.

### **Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons (CCWC)**

The purpose of the Convention is to ban or restrict the use of specific types of weapons that are considered to cause unnecessary or unjustifiable suffering to combatants or to affect civilians indiscriminately. Four protocols of the Convention restrict fragmentation weapons, landmines, incendiary weapons, and blinding laser weapons. The fifth protocol sets out obligations and best practice for the clearance of explosive remnants of war. The failure to agree to a total ban on landmines led to the Ottawa Convention (see below).

### **Convention on Cluster Munitions (CCM)**

CCM is an international Convention that prohibits the use of cluster bombs, a type of weapon which scatters sub munitions ("bomblets") over an area. The Convention allows certain types of weapons with sub munitions that do not have the indiscriminate area effects or pose the unexploded ordnance risks of cluster munitions.

### **Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (CWC) (also known as Chemical Weapons Convention)**

The Convention aims to eliminate an entire category of weapons of mass destruction by prohibiting the development, production, acquisition, stockpiling, retention, transfer, or use of chemical weapons by State Parties. State Parties, in turn, must take the steps necessary to enforce that prohibition in respect of persons (natural or legal) within their jurisdiction.

### **Convention on the Prohibition of Military or any Other Hostile Use of Environmental Modification Technique (ENMOD)**

The Convention allows certain types of weapons with sub munitions that do not have the indiscriminate area effects or pose the unexploded ordnance risks of cluster munitions.

### **Ottawa Convention (Mine Ban Treaty)**

The Mine Ban Treaty is the international Convention that bans completely all antipersonnel landmines. Besides stopping the production and development of antipersonnel mines, a party to the treaty must destroy all the antipersonnel mines in its possession within four years. Just a small number of mines are allowed to remain for training purposes (mine-clearance, detection, etc.).

## **C3. Commitments of States being part of specific Working Groups**

### **Nuclear Suppliers Group (NSG)**

The Nuclear Suppliers Group is a multinational body concerned with reducing nuclear proliferation by controlling the export and re-transfer of materials that may be applicable to nuclear weapon development and by improving safeguards and protection on existing materials.

### **Australia Group**

The Australia Group is a group of States that meets informally each year to monitor the proliferation of chemical and biological products and to discuss chemical and biological weapons-related items that should be subject to national regulatory measures.

### **Zangger Committee**

Also known as the Nuclear Exporters Committee, the Zangger Committee was formed to draft a "trigger list" of (a) source or special fissionable materials; and (b) equipment or materials especially designed or prepared for the processing, use or production of special fissionable materials. Under

Article III.2 of the Nuclear Non-Proliferation Treaty (NPT), these items should be subject to International Atomic Energy Agency safeguards if supplied by NPT parties to any Non-Nuclear Weapon States (NNWS).

### **Missile Technology Control Regime (MTCR)**

The MTCR is an informal and voluntary association of Countries which share the goals of nonproliferation of unmanned systems capable of delivering weapons of mass destruction and which seek to coordinate national export licensing efforts aimed at preventing their proliferation.

### **European Code of Conduct on Arms Exports**

The code of conduct is designed to set high common standards which should be regarded as the minimum for the management of, and restraint in, conventional arms transfers by all Member States, to strengthen the exchange of relevant information with a view to achieving greater transparency and to prevent the export of equipment which might be used for internal repression or international aggression or contribute to regional instability. It is directed at the Member States of the European Union and contains eight criteria and operative provisions on the export of conventional arms.

### **Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies**

The Wassenaar Arrangement has been established in order to contribute to regional and international security and stability by promoting transparency and greater responsibility in transfers of conventional arms, in particular small arms, and light weapons, as well as dual-use goods and technologies, thus preventing destabilizing accumulations.

Through their national policies, Participating States seek to ensure that transfers of these items do not contribute to the development or enhancement of military capabilities that undermine the above-mentioned goals and that are not diverted to support such capabilities. The outline of the arrangement is set out in a document entitled "Guidelines and Procedures, including the Initial Elements." The list of restricted technologies does not include software that is generally available to the public or in the public domain.

### **C4. Italian legislation (applicable only in Italy)**

#### **Law No. 185 of 9 July 1990.**

Law 185/90 is legislation on **controlling the export, import and transit of military goods**. It stipulates that arms trade must comply with Italy's foreign and Defence policies. Each trade must be approved by the Ministry of Defence. The Parliament publishes an "Annual Report" in order to provide detailed information on Italian arms exports. The final destination of the armament materials must be adequately guaranteed. Light weapons are excluded from the law's scope.

Article 5 states, "The export, transit, intra-Community transfer and intermediation in military goods, as well as the transfer of the relative production licenses and the delocalization of production are prohibited if they in contrast with the Constitution, Italy's international commitments, non-proliferation agreements and the fundamental security interests of the State, the struggle against terrorism and maintaining good relationships with other Countries and in case there are no adequate guarantees on the final destination of the military goods."