

**GUIDELINES**

**Guidelines governing transactions with Subjects Active in the Armaments  
Sector**

**EFFECTIVE FROM**

30/07/2024

**BoD APPROVAL**

Yes

**RECIPIENTS**

Intesa Sanpaolo Group

- Abstract -

## **Legal Framework and objectives of the document**

The main regulatory reference in the arms sector at international level is the UN Security Council resolutions, adopted under Chapter VII of the UN Charter, to counter and suppress programmes to develop weapons of mass destruction. Within the United Nations, the International Arms Trade Treaty (ATT) was approved in 2013, which aims to regulate the trade in conventional weapons and prevent illicit trafficking in them, in order to contribute to international security.

At the European level, the main measures in this field were approved by the Council of the European Union through Common Positions 2003/468/CFSP and 2008/944/CFSP.

The European Parliament and the Council also approved Directive 2009/43/EC of 6 May 2009 (subsequently amended by EU Directive 2016/970) regulating the terms and conditions of transfers of defence-related products within the European Union, with the aim of simplifying and harmonising national licensing procedures.

The main regulatory reference in Italy in the armaments sector is Law No. 185 of 9 July 1990 ("New rules on the control of the export, import and transit of armaments materials") and subsequent amendments and additions, the related implementing regulation (Ministerial Decree No. 19 of 7 January 2013) and the circular of the Ministry of Economy and Finance (MEF), Prot. DT 58988 of 22 July 2015.

Lastly, the provisions of Directive (EU) 2015/2366 of the European Parliament of the Council of 25 November 2015 on Payment Services ('PSD2'), which impose specific obligations on payment service providers for the execution of payments, must be taken into account when defining the internal regulation of armaments.

These Guidelines, define the provisions that the Intesa Sanpaolo Group intends to adopt in its banking and/or financing activities with entities operating in the armament's materials sector.

## **Definitions**

In order to ensure the correct application of these rules, the definitions of the most important terms used are provided below.

### **Banking (Payments)**

This refers to incoming or outgoing transfers and other types of collection or payment related to transactions for the purchase or sale of armament materials, whether on the domestic or foreign market, as well as payments for intermediation activities related to the marketing of armament materials. Pursuant to Article 27 of Law No. 185/90, any transfer of funds (money, valuables or credit) through a banking institution, having its registered office or operational headquarters in Italy, for transactions governed by Law no. 185/90 and subject to authorisations, clearances or other provision issued by the Armament Authorisation Unit of the Ministry of Foreign Affairs and International Cooperation (UAMA) or the Ministry of Defence is relevant.

### **Financing Activities (Financing)**

This refers to all forms of short and medium/long term financing, including, by way of example, finalised or non-finalised credit lines, trade receivables (contract advances, invoice advances, factoring, portfolio mobilisation), guarantees and signature commitments, documentary credits, stand-by letters of credit, instrumental leasing, participation in in financing pools with other banks, and financing for the purchase of equity investments. Pursuant to Article 27-bis of Law no. 185/90, financing activities, also foreign-on-foreign, through which a party obtains the availability of funds from a credit institution or other financial intermediary, having its registered office or operating headquarters in Italy, for transactions governed by Law no. 185/90, but not subject to authorisations, nulla osta or other provision issued by UAMA or the Ministry of Defence (i.e. in their absence), are relevant.

### **Marketing**

These are, in a general sense, domestic, import, export transactions.

### **Export**

Means the movement of armament materials from a supplier located on national territory to one or more recipients located outside national territory; in the case of facilities operating in European Union countries (EU), national territory means the EU customs territory.

## **Import**

This refers to the movement of armament materials from suppliers located outside the national territory to recipients located in the national territory; in the case of facilities operating in EU countries, national territory means the EU customs territory.

## **Armament material**

Armament material is considered to be anything that, due to technical and design requirements or characteristics, is built for predominantly military or armed forces or police use. In particular, the following types<sup>1</sup> constitute armament materials:

- nuclear, biological, chemical and electrical weapons;
- automatic firearms and relative ammunition;
- medium and large calibre arms and ammunition;
- bombs, torpedoes, mines, rockets, missiles and torpedoes;
- wagons and vehicles specially built for military use;
- ships and their equipment specially built for military use;
- aircraft and helicopters and related equipment specially built for military use;
- powders, explosives, propellants for military weapons;
- electronic, electro-optical and photographic systems or apparatus specially built for military use;
- special materials for military training;
- machines, apparatus and equipment constructed for the manufacture, testing and control of arms and ammunitions;
- special equipment specially built for military use;
- spare parts and specific components of the above-mentioned armaments in the case of intra-Community transfer and export.

The following types of material are not considered to be armament materials and therefore do not fall within the scope of these Guidelines:

- sporting and hunting weapons and their ammunition;
- cartridges for industrial use and luminous and smokescreen devices;
- common arms and ammunition;

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<sup>1</sup> Detailed guidance on armament materials can be found in ministerial decrees (see, most recently, Ministerial Decree 17 March 2015).

- short firearms provided that they are not automatic;
- reproductions of antique weapons and explosives other than those for military use.

However, these latter types also fall within the category of armament materials, and therefore within the scope of these Guidelines, when they are the subject of intra-Community transfers or exports to government bodies or armed forces or police forces, as provided for by Law No. 185/90.

### **Transit**

This refers to the movement of EU-origin armament materials within the customs territory of the EU<sup>2</sup> through the territory of a non-EU State, without changing their customs status (so-called "internal" transit) or the movement of non-EU-origin armament materials within the customs status (so-called "internal" transit) or the movement of non-EU origin armament materials within the customs territory of the EU to be destined for a Member State other than that of entry, or to be exported to non-EU States (so-called "external" transit).

### **Intra-Community transfer**

This means any transmission or movement of armament materials from a supplier to a recipient located in different states but both EU Member States.

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<sup>2</sup> The states and territories forming part of the EU customs territory are listed in Article 4 of the EU Customs Code, established by EU Regulation 952/13.

## **General Principles**

Consistently with the values and principles expressed in the Code of Ethics, the Intesa Sanpaolo Group expressly forbids any type of banking and/or financing activity connected with the production and/or marketing of controversial weapons and/or banned by international treaties, such as:

- nuclear, biological or chemical weapons;
- cluster and fragmentation bombs;
- weapons containing depleted uranium;
- anti-personnel landmines.

Aware of the need to support national and European defense, together with allied countries in NATO, the Intesa Sanpaolo Parent Company limits its financing activities, through its ordinary business processes, to transactions only involving the production and/or marketing of armament materials to countries belonging to the European Union and/or NATO. More specifically, with the exception of transactions involving controversial and/or banned arms, the Parent Company operates on an ordinary basis through financing related to the production, domestic purchase, import, export, intra-Community transfer and transit of armament materials used on a permanent basis by the armed forces and related defense bodies as well as local police forces:

- in and among countries belonging to the European Union and/or NATO;
- regardless of the country of production and/or origin of the armament material, if the end user is an Italian ministry or government agency, Italian armed forces and police force.

With the exception of transactions involving controversial and/or banned weapons, financing activities involving non-EU and/or NATO countries are also permitted, but subject to an extraordinary approval process, subject to the presence of intergovernmental programs with the Italian Republic. Such transactions, for which a strengthened evaluation process is envisaged, are configured as Most Significant Transactions ("MST"), in accordance with the relevant Guidelines, and are subject to prior authorisation by the Steering Committee.

The Group's other Banks and Companies are not authorised to provide financing that relate to the production and/or marketing of armament materials. Only Foreign Banks:

- may provide financing for armament materials intended for definitive use by armed forces and their defense agencies as well as police forces in and among countries belonging to the European Union and/or NATO;
- may request specific and prior authorisation from the Parent Company when such financing concern armament materials intended for definitive use by the armed forces and related defense bodies, as well as by the police forces of the Bank's country of establishment if it does not belong to the European Union and/or NATO; such transactions are subject to the enhanced evaluation process, qualify as MSTs and are subject to prior authorisation by the Management Committee.

The Steering Committee reports quarterly to the Board of Directors on the activities carried out, giving evidence of the transactions for which the enhanced evaluation process is envisaged.

With the exception of transactions involving controversial and/or banned weapons, the Parent Company, Banks and Group Companies are allowed to process payments having as their underlying armament materials, also in view of the above-mentioned obligations imposed on payment service providers by PSD2, obviously in the absence of prohibitions deriving from competing external regulations, in particular in the area of financial sanctions and anti-money laundering.

It is also always permissible to support the civil and general operation activities of actors in the armaments sector, as long as they are not involved in the production and/or marketing of controversial and/or internationally banned weapons.

## **Macroprocesses**

### **Financing**

Subject operating in the armament sector requesting the opening/renewal of a financing subject to Law no. 185/90 must submit to the Relationship Manager a declaration (“company statement” pursuant to article 27-bis of Law no. 185/90) and the relevant supporting documentation, containing the data necessary for the communication that the Bank is required to make to the MEF within 30 days from the accounting registration of the financing operation.

With reference to the granting to entities operating in the armaments sector of financing subject to Law No. 185/90 without determining their destination (so-called non-finalised credit lines), the Relationship Manager must:

- inform the customer that the financing is not be used for activities related to the production and/or marketing of armament materials not permitted under these Guidelines, and provide the customer with an extract therefrom;
- have the customer certify in the loan application the commitment not to use the loan for activities not allowed by these Guidelines and to communicate in advance the uses allowed by these Guidelines, also for the purposes of the communication/reporting to the MEF or other local Authorities, verifying in the framework of the usual monitoring activity, the compliance with what the customer certifies;
- startup ordinary deliberative process, enclosing the exchange of correspondence regarding the attestation referred to in the two previous paragraphs.

### **Payments**

Subject operating in the armaments sector requesting the execution of a payment subject to Law no. 185/90 must submit to the Relationship Manager a declaration (“company declaration” ex article 27- of Law no. 185/90) and the relevant accompanying documentation, containing the data necessary for the communication that the Bank is required to make to the MEF within 30 days from the date of the accounting registration of the transaction.

If the communication is made after the deadline of 30 days from the date of the accounting entry of the transaction, due to the delayed availability of the declaration attributable to the client, this circumstance, adequately documented, is highlighted in the communication to the MEF.



## Training

The Bank will promote training activities for the Divisions concerned and the relevant support structures with the aim of disseminating the principles contained in these Guidelines, as well as providing the necessary elements for a full and informed assessment of the characteristics of the transactions carried out with customers, which could present operational or reputational risk profiles.

## Reporting

Financing and payments made are subject to half-yearly reporting by the Group Banks and Companies to the competent Governance Areas and the competent Business Divisions of the Parent Company.

## List of EU and NATO Countries

<b>COUNTRY</b>	<b>EU</b>	<b>NATO</b>
Albania	NO	YES
Austria	YES	NO
Belgium	YES	YES
Bulgaria	YES	YES
Canada	NO	YES
Cyprus	YES	NO
Croatia	YES	YES
Denmark	YES	YES
Estonia	YES	YES
Finland	YES	YES
France	YES	YES
Germany	YES	YES
Greece	YES	YES
Ireland	YES	NO
Iceland	NO	YES
Italy	YES	YES
Latvia	YES	YES
Lithuania	YES	YES
Luxembourg	YES	YES

North Macedonia	NO	YES
Malta	YES	NO
Norway	NO	YES
Netherlands	YES	YES
Poland	YES	YES
Portugal	YES	YES
United Kingdom	NO	YES
Czech Republic	YES	YES
Romania	YES	YES
Slovakia	YES	YES
Slovenia	YES	YES
Spain	YES	YES
Sweden	YES	YES
Turkey	NO	YES
Hungary	YES	YES
USA	NO	YES