



We hereby confirm that the Company has been informed about the

**GUIDELINES GOVERNING TRANSACTIONS WITH
SUBJECTS ACTIVE IN ARMAMENTS SECTOR**

(ABSTRACT)

Legal framework and objectives of the document

The main legal basis in the arms sector at the international level are the resolutions of the *United Nations Security Council* (hereinafter: UN) adopted within the framework of *Chapter VII of the UN Charter to counter and suppress programmes for the development of weapons of mass destruction*. In 2013, the UN adopted the *Arms Trade Treaty (ATT)*, which aims to regulate the trade in conventional arms and prevent their illicit trade in order to contribute to international security.

The main measures in this area at the European level have been adopted by the *Council of the EU* through *Common Positions 2003/468/CFSP* and *2008/944/CFSP*.

The *European Parliament* and the *Council of the EU* have also adopted *Directive 2009/43/EC* of 6 May 2009 (subsequently amended by *Directive 2016/970*), which regulates the conditions for the transfer of defence-related products within the Community, with the aim of simplifying and harmonising national licensing procedures.

The main legal basis in the Republic of Croatia in the armaments sector is the *Act on the Production, Overhaul and Trade of Armaments and Military Equipment* (OG 33/02, 173/03, 146/08, 17/19), the *Act on the Control of Trade in Military Goods and Non-Military Ordnance* (OG 80/13).

Finally, the provisions of *Directive (EU) 2015/2366* of the European Parliament and 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 armaments regulation.

These Guidelines define the provisions that Privredna banka Zagreb d.d. (hereinafter: the Bank) applies in its banking and/or financing activities with entities operating in the armaments materials sector.

Definitions

In order to ensure the correct application of the Guidelines, the definitions of the most important terms used are given below.

Banking activities (payments)

It refers to incoming or outgoing transfers and other types of collection or payments related to transactions for the purchase or sale of weapons materials, whether on the domestic or foreign market, as well as payments for intermediary activities related to the marketing of weapons materials.

Funding activities (funding)

It applies to all forms of short- and medium-term/long-term financing, including, for example, finalized or unfinalized credit lines, trade receivables (contract advances, account advances, *factoring*, portfolio mobilization), guarantees and signing obligations, documentary letters of credit, *stand-by* letters of credit, instrument leasing, participation in financing funds with other banks and financing of the purchase of equity investments. Relevant are financing activities, including foreign financing, through which the customer obtains the availability of funds from a credit institution or other financial intermediary, with its registered office or operational headquarters in the Republic of Croatia.

Marketing

It refers, in a general sense, to domestic, import, export transactions.

Export

It indicates the movement of armaments materials from a supplier located in the national territory to one or more recipients located outside the national territory. In the case of operators operating in European Union (EU) countries, national territory means the customs territory of the EU.

Import

This refers to the movement of armaments materials from suppliers located outside the national territory to one or more recipients located in the national territory. In the case of operators operating in European Union (EU) countries, national territory means the customs territory of the EU.

Armament materials

Armament material is considered to be anything that, due to technical and design requirements or characteristics, is built for predominantly military or armed or police use. Specifically, the following types of materials¹ make up armament materials:

- automatic firearms and related ammunition;
- weapons and ammunition of medium and large caliber;

¹ Detailed guidance on armaments materials can be found in the Ministerial Decrees (see the most recent Ministerial Decree of 17 March 2015).



- bombs, torpedoes, mines, rockets, missiles and torpedoes;
- wagons and vehicles specially designed for military use;
- ships and their equipment specially built for military use;
- aircraft and helicopters and related equipment specially designed for military use;
- gunpowder, explosives, propellants for military weapons;
- electronic, electro-optical and photographic systems or apparatus specially designed for military use;
- special armor materials specially made for military use;
- special materials for military training;
- machinery, apparatus and equipment designed for the production, testing and control of weapons and ammunition;
- special equipment specially built for military use;
- spare parts and special components of the abovementioned armaments in the event of transfer and export within the Community.

The following types of materials are not considered weapons materials and therefore do not fall within the scope of the Guidelines:

- sporting and hunting weapons, its ammunition;
- cartridges for industrial use and light and smoke curtains;
- common weapons and ammunition;
- short firearms, provided that they are not automatic;
- reproductions of antique weapons and explosives, other than those for military use;

Transit

It refers to the movement of arms material originating in the EU within the customs territory of the EU through the territory of a non-EU country, without a change in customs status (so-called 'internal' transit), or the movement of armed material originating outside the EU within the customs territory of the EU destined for a Member State other than entry, or for export to non-EU countries (the so-called 'internal' transit). "external" traffic).

Intra-Community transfer

This refers to any transfer or movement of armaments material from supplier to recipient that is located in different countries, but both are EU Member States.

GENERAL PRINCIPLES

In accordance with the values and principles expressed in *the Code of Ethics*, the PBZ Group **expressly prohibits** any form of banking and/or financing activities related to the production and/or marketing of weapons that are controversial and/or prohibited by international agreements, such as:

- nuclear, biological and chemical weapons
- cluster bombs and explosive bombs.
- weapons containing depleted uranium
- anti-personnel mines.

Aware of the need to support national and European defence, together with our NATO allies, the Bank limits its financing activities, through its normal business



processes, to transactions involving only the production and/or marketing of armaments materials in the countries of the European Union and/or NATO. More specifically, with the exception of transactions involving controversial and/or prohibited weapons, the Bank may, on a regular basis, provide financing related to the production, domestic sale and purchase, import, export, transfer within the Community and transit of armaments materials permanently used by the armed forces and related defence bodies as well as by local police:

- in and between the Member States of the European Union and/or NATO
- regardless of the country of manufacture and/or origin of the armament material, if the end user is the Ministry of the Republic of Croatia or a government agency, the Croatian Armed Forces or the police.

The Bank can provide financing for armaments materials intended for exclusive use by the military and its defence agencies, as well as the police in and between EU and/or NATO member states.

It is always permissible to support the civilian and regular operations of entities operating in the armaments sector, as long as they are not involved in the production and/or marketing of weapons that are controversial and/or prohibited by international agreements.

MACRO PROCESSES

Financing

Entities operating in the armaments sector that seek the opening/renewal of financing must provide the relevant supporting documentation to the Customer Relations Manager.

The client must confirm:

- that the funding must not be used for activities related to the production and/or marketing of armaments materials that are not permitted by the Guidelines;
- not to use the credit for activities not permitted by the Guidelines and to inform in advance of the purposes permitted by the Guidelines.

Transactions

Transactions are controlled and according to the defined criteria, those for which it is necessary to carry out enhanced controls of the transaction/client and/or other participants/goods/services are sent to the competent function for analysis and assessment of the transaction's compliance with the Rules applied by the Bank, including these Guidelines. The competent function may, if necessary, request the relevant business parts to obtain documentation that is the basis for the execution of the transaction. The execution of the transaction will be rejected if the results of the analysis show that it is not in accordance with the provisions of the Guidelines applied by the Bank, including these Guidelines.

Information management and reporting

The ESG officer publishes the Group's armaments business policy in the relevant Group Sustainability Report, with the support of other competent functions.

List of EU and NATO countries

COUNTRY	EU	NATO
Albania	NO	I do
Austria	I do	NO
Belgium	I do	I do
Bulgaria	I do	I do
Canada	NO	I do
Cyprus	I do	NO
Croatia	I do	I do
Denmark	I do	I do
Estonia	I do	I do
Finland	I do	I do
France	I do	I do
Germany	I do	I do
Greece	I do	I do
Ireland	I do	NO
Iceland	NO	I do
Italy	I do	I do
Latvia	I do	I do
Lithuania	I do	I do
Luxembourg	I do	I do
North Macedonia	NO	I do
Malta	I do	NO
Norway	NO	I do
Netherlands	I do	I do
Poland	I do	I do
Portugal	I do	I do
United Kingdom	NO	I do
Czech Republic	I do	I do
Romania	I do	I do
Slovakia	I do	I do
Slovenia	I do	I do
Spain	I do	I do
Sweden	I do	I do
Türkiye	NO	I do

Company name

Name and surname
of the person authorized to
represent the company

Place and date
of the signature

Signature of the authorized person



PRIVREDNA BANKA ZAGREB

Intesa Sanpaolo Group