PRIVREDNA BANKA ZAGREB
Intesa Sanpaolo Group

We hereby confirm that the Company has been informed about the

GUIDELINES GOVERNING TRANSACTIONS WITH SUBJECTS ACTIVE IN ARMAMENTS SECTOR

(ABSTRACT)

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.

Legal framework and objectives of the document

The main regulatory reference in the arms sector at international level is represented by the resolutions *of the United Nations Security Council* (hereinafter: UN) adopted under *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. Also worth mentioning:

- the Ottawa Convention of 3 December 1997 on the prohibition of the use, stockpiling, production and transfer of anti-personnel mines and their destruction, ratified and enforced in Italy by Law no. 106 of 26 March 1999;
- the Oslo Convention of 30 May 2008 on the prohibition of cluster munitions, ratified and enforced in Italy by Law no. 95 of 14 June 2011.

At the European level, the main measures on the subject have been approved *by the Council of the EU* through *Common Positions 2003/468/CFSP* and *2008/944/CFSP* (which requires that Member States to adopt the necessary measures to control arms brokering activities, with the aim of preventing the circumvention of embargoes imposed by the UN, the European Union or the OSCE (Organization for Security and European Cooperation) on arms exports, as well as the criteria set out in the Union Code of Conduct on Arms Exports); and 2008/944/CFSP (with the aim of strengthening the convergence of Member States' arms export control policies, indicates the common criteria (minimum standards) to be taken into account by Member States when assessing applications for export licences for military technology and equipment, without prejudice to the right of Member States to apply more restrictive national policies, these exports being a national competence). The European Parliament and the Council also approved Directive 2009/43/EC of 6 May 2009 (subsequently amended by EU Directive 2016/970) governing 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 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. The European regulatory framework on armaments is currently undergoing updates, as announced in July 2024 during the plenary session of the European Parliament in Strasbourg, when the President of the European Commission had declared that the objectives of the legislative period also included the creation of a Defence Union. In March 2025, in line with the Commission's programme, the "ReArm Europe Plan/Readiness 2030" was presented[1].

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.

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[1] https://www.europarl.europa.eu/RegData/etudes/BRIE/2025/769566/EPRS_BRI(2025)769566_EN.pdf

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 materials[2] make up armament materials:

- nuclear, biological, chemical and electrical weapons;
- automatic firearms and related ammunition;
- weapons and ammunition of medium and large caliber;
- 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

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

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.

With the exception of transactions involving controversial and/or banned weapons, the Bank may request specific and prior authorisation from the Parent company for financing relating to armament materials intended for definitive use by the armed forces and related defence and police forces of non-EU and/or NATO countries in the presence of intergovernmental programs with the Republic of Croatia or other EU countries or within the framework of the "ReArm Europe Plan/Readiness 2030".

With the exception of transactions involving controversial and/or banned weapons, the Bank can process payments having as their underlying armament materials, also in consideration of the aforementioned obligations imposed on payment service providers by PSD2, obviously in the absence of prohibitions deriving from competing external regulations, in particular in the financial sanctions and anti-money laundering areas.
It is also always allowed to support civil activities and those of general operation of entities operating in the armaments sector, as long as they are not activities related to the production and/or marketing of controversial weapons and/or banned by international treaties.
The sensitive nature of this matter is underlined, the violation of which may result in the application of criminal and administrative sanctions, as well as significant reputational profiles, and all operators are recommended to take the utmost care in complying with the provisions envisaged, always adopting a prudential approach in doubtful cases..

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	Countries with enhanced evaluation process
Albania	NO	YESYES	
Austria	YESYES	NO	
Belgium	YES	YES	
Bulgaria	YES	YES	
Canada	NO	YES	
Cyprus	YES	NO	
Croatia	YES	YES	
Denmark	YES	YES	
Estonia	YES	YES	Bordering country in interstate war[3]
Finland	YES	YES	Bordering country in interstate war[3]
France	YES	YES	
Germany	YES	YES	
Greece	YES	YES	
Ireland	YES	NO	
Iceland	NO	YES	
Italy	YES	YES	
Latvia	YES	YES	Bordering country in interstate war[3]
Lithuania	YES	YES	Bordering country in interstate war[3]
Luxembourg	YES	YES	
North Macedonia	NO	YES	

[3] EU and/or NATO country added as it borders Russia, involved in the conflict in Ukraine

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Malta	YES	NO	
Norway	NO	YES	Bordering country in interstate war[3]
Netherlands	YES	YES	
Poland	YES	YES	Bordering country in interstate war[3]
Portugal	YES	YES	
United Kingdom	NO	YES	
Czech Republic	YES	YES	
Romania	YES	YES	Bordering country in interstate war[3]
Slovakia	YESYES	YESYES	Bordering country in interstate war[3]
Slovenia	YESYES	YESYES	
Spain	YESYES	YESYES	
Sweden	YESYES	YESYES	
Türkiye	NO	YESYES	Bordering country in interstate war[3]
Hungary	YES	YES	Bordering country in interstate war[3]
USA	NO	YES	

Company name

Name and surname
of the person authorized to
represent the company

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Place and date
of the signature

Signature of the authorized person

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