

# DEFENCE AND SECURITY SECTOR POLICY



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# 1. INTRODUCTION AND PURPOSES OF THE DOCUMENT

The CDP Group promotes the country's growth, both in its capacity as a permanent shareholder in strategic infrastructure and assets, and by implementing special purpose actions aimed at business growth and international expansion in key sectors.

The progressive expansion of the role and operations of Cassa Depositi e Prestiti S.p.A. (hereinafter "CDP"), reflected in the 2021 amendment to its Articles of Association<sup>1</sup>, makes it necessary to adopt precise guidelines, as defined in the Strategic Plan. These guidelines provide for the systematic integration of environmental, social and governance aspects throughout the Financing and Investment process, as these are considered essential factors for ensuring sustainable development and the generation of greater value for both the companies in which it invests and for the community as a whole.

Therefore, CDP deems it appropriate to adopt specific strategies in certain sectors that are important for the Italian economy and that require specific guidelines for the allocation of resources.

In particular, the Defence and Security Sector is a strategic sector in terms of ensuring the security of countries but is also one of the most debated sectors in terms of compatibility with the ESG criteria.

The relationship between financing institutions and companies involved in the production and trade of defence materials has long been under the watchful eye of investors, customers, non-governmental organisations and society at large. In fact, with the ultimate goal of contributing to peace processes, the aim of these stakeholders is to avoid that lenders and businesses become involved in "controversial" weapons deals, avoid financing countries that are subject to international sanctions or guilty of serious violations of human rights and avoid financing terrorism and the illicit trade of arms. Moreover, given the limited transparency of governmental weapons procurement processes, for security reasons, even more attention needs to be paid to the prevention of corruption.

Recent international geopolitical developments have also further highlighted the importance of protecting physical and virtual resources. In fact there is an increased need to protect businesses, citizens and public organisations from the growing threat of cyber-attacks, by developing state-of-the-art digital infrastructure and services to avoid and prevent potentially damaging attacks on data security and service provision.

Defence and security refer to a set of systems designed to protect the integrity of a State's territory and safeguard its citizens and civil institutions. Accordingly, strategies and production choices are defined by the State concerned, which, for companies operating in Italy, is the Italian government.

Against such a backdrop, and aware of the role it plays in Italy, CDP has therefore adopted this sectoral Policy to regulate its own approach to the Defence and Security Sector, the aim being to ensure support for one of the Country's strategic sectors and, at the same time, safeguard its own economic-financial sustainability and reputation.

This Policy, consistent with CDP's General Responsible Lending and Investment Policies, therefore aims to guide CDP's operations in the Defence and Security Sector by establishing the related treatment, limitation and exclusion criteria. As part of its institutional mission to support policies to encourage and foster Italy's economic development, CDP is also called upon to manage, through specific regulatory provisions, third-party funds (e.g. resources of government ministries). Activities in this area are carried out, where applicable, in accordance with this document and, in

<sup>1</sup> Introduction of the principle of sustainable development: "The company's corporate purpose, in pursuing long-term economic, social and environmental sustainability to the benefit of shareholders and taking account of the interests of other stakeholders relevant to the company, is..."

any case, in compliance with the applicable laws and regulations in effect.

Concerning the applicability of this Policy to indirect Investment or Lending transactions, please refer to the provisions of the General Responsible Lending and Investment Policies.

This document describes:

- the reference context (section 2);
- the scope of application (section 3);
- the principles and criteria applicable to CDP's transactions in the Defence and Security Sector (section 4);
- the roles and responsibilities of the parties involved (section 5);
- how transparency and accountability are ensured (section 6).

This document is subject to periodic review, partly (but not exclusively) to reflect regulatory and legislative developments and changes to the reference context. In any case, this document is reviewed every 3 years and/or when a new strategic plan is adopted.

This Policy, where appropriate, should be read in conjunction with other policies, in particular with the General Responsible Lending and Investment Policies and the relevant company regulatory sources.

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## 2. REFERENCE REGULATORY AND LEGISLATIVE CONTEX

### 2.1 External regulatory and legislative context

In recent years, international institutions have launched an increasing number of initiatives to promote disarmament, the non-proliferation of weapons and the adoption of arms trade control systems.

At the time of drawing up this Policy, the main national and international regulatory framework included the following Treaties, Conventions and Regulations:

- Geneva Protocol (1925), prohibiting the use of asphyxiating, poisonous, or other gases, and bacteriological methods in warfare;
- Partial Test Ban Treaty (1963), prohibiting nuclear tests where such explosions cause radioactive debris outside the permitted limits;
- Treaty on the Non-Proliferation of Nuclear Weapons (1970), an international treaty whose objective is to prevent the spread of nuclear weapons and to further the goal of achieving nuclear disarmament;
- Biological Weapons Convention (1975), prohibiting the development, production and retention of bacteriological (biological) and toxin (viruses, bacteria, microorganisms, spores, toxins) weapons, with the requirement to destroy existing stock;
- ENMOD Convention (1978), prohibiting military or any other hostile use of environmental modification techniques;
- Convention on prohibitions or restrictions on the use of certain conventional weapons (Convention on Certain Conventional Weapons, 1980) which may be deemed to be excessively injurious or to have indiscriminate effects;
- Chemical Weapons Convention (CWC, 1993), the first instrument of international law on disarmament, prohibiting the development, production, acquisition, retention, stockpiling, transfer and use of chemical weapons and any associated material;
- Wassenaar Arrangement (1996), promoting transparency and greater responsibility in transfers of conventional

arms and dual-use goods and technologies;

- Comprehensive Nuclear-Test-Ban Treaty (1996), banning all nuclear tests in all environments, both for military or peaceful purposes;
- Anti-Personnel Mine Ban Treaty (Ottawa Convention, 1997), a convention on the use, stockpiling, production and transfer of anti-personnel mines and on their destruction, including the requirement to provide assistance to mine victims;
- Hague Code of Conduct against ballistic missile proliferation (HCOC, 2002), regulating ballistic missiles capable of delivering weapons of mass destruction, which aims to act as a transparency and confidence building instrument concerning the spread of ballistic missiles. The subscribing States voluntarily commit to provide pre-launch notifications on ballistic missile and space-launch vehicle launches and test flights;
- Convention of Cluster Munition (Oslo Convention, 2008), prohibiting the use, stockpiling, production and transfer of cluster munitions, with the requirement to destroy existing stock;
- Arms Trade Treaty (2013), setting out the criteria for authorising (or prohibiting) the transfer of conventional arms;
- Treaty on the Prohibition of Nuclear Weapons (2017), which includes undertakings not to develop, test, produce, acquire, possess, stockpile, use or threaten to use nuclear weapons;
- European Council Regulation (EC) No. 1236/2005 concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment;
- Regulation (EU) 2021/821 of the European Parliament and of the Council setting up a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items.

At national level, the main legislative instrument is Italian Law 185/90, as amended (including the relevant implementing legislation), which regulates the export, import and transit of defence materials and provides for administrative pecuniary fines for any breach of the obligations therein.

The national framework is supplemented by the following provisions:

- Italian Law No. 220 of 9 December 2021, which introduces, on the one hand, a prohibition on the financing, in any form, of companies involved in the construction, production, development, assembly, repair, preservation, use, storage, stockpiling, retention, promotion, sale, distribution, export, transfer or transportation of anti-personnel mines, cluster munitions and submunitions and any part thereof, and on the other hand, a prohibition on carrying out (or providing support in carrying out) any technological research or activity that involves the manufacture, sale and transfer, on any basis, export, import and holding of cluster munitions and submunitions or any part thereof;
- Italian Law No. 110 of 18 April 1975, which regulates the control of weapons, munitions and explosives and provides a definition for both military weapons and conventional firearms.

The UN's 2030 Agenda also aims to contribute to setting up sound and transparent national arms control systems. In fact, the achievement of many of the goals of the Agenda are dependent on reducing armed violence and improving international security.

## 2.2 Main related internal regulations

The company regulatory sources, in addition to this document, within which CDP establishes and recognises the ESG principles as fundamental values are:

- Articles of Association;
- Code of Ethics;
- Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001;
- Sustainability Framework;
- CDP General Responsible Lending Policy;
- CDP General Responsible Investment Policy;
- Group Policy for the Assessment of the Reputational Risk of Transactions;
- Risk Policy;
- Credit Risk Policy.

This document must be read together with the other general policies, particularly the Responsible Lending and Investment Policies. The regulatory and legislative framework of reference is supplemented by additional internal regulatory sources, which lay down the principles, methodologies and operating methods through which sustainability is pursued within the company organisation, or regulate specific transactions in the Defence and Security sector, including for example, the Regulation on “Regulatory and operational requirements for the Defence and Security sector”.

## 3. SCOPE OF APPLICATION

### 3.1 Scope by type of operation

The scope of application of this document is associated with the operations of CDP in the Defence and Security Sector, relating to new Investment and Financing operations and to the renewal of Financing which has already been issued, initiated after the approval of this Policy. The Policy is not applicable to operations<sup>2</sup> relating to equity investments already held in the portfolio and to changes to financing already in existence. Regarding investments in the portfolio, in line with the provisions of the General Responsible Investment Policy, to which reference should be made, CDP conducts ongoing monitoring and engages with the company’s management to discuss possible guidelines with regard to development plans and to conduct specific analyses on ad hoc issues. These regular engagement activities also make it possible to identify any problems that may arise in the investment management phase and jointly agree what actions need to be implemented, to be successively verified through appropriate monitoring.

In addition, in order to tighten the criteria for transactions in the sector, real estate transactions involving the lease and/or transfer of real estate to Counterparties operating in the Defence and Security Sector are also included, in accordance with the provisions of paragraph “4.3 Counterparty criteria”.

Note that the exclusion criteria regarding Counterparties apply to all transactions regardless of sector.

A new transaction is deemed to refer to the Defence and Security Sector in the following cases:

<sup>2</sup> It includes equity and other similar operations (e.g. purchase, capital increases, demergers, mergers, conversions of shares, transformations, granting shareholder loans or capital contributions, subscription of hybrid instruments, subscription of convertible bonds).

- i. An Investment/Lending transaction for a generic purpose, if in the last three years at least 20% of the Counterparties' turnover came from the Defence and Security Sector;
- ii. An Investment/Lending transaction for a specific purpose, where the transaction refers primarily to assets attributable to that Sector.

Considering that CDP pays particular attention to the reputational aspects of export transactions in the Defence and Security Sector, resolutions concerning such transactions shall be passed exclusively by the Board of Directors of CDP, upon proposal of the Chief Executive Officer, subject to the non-binding mandatory opinion of the Risk and Sustainability Committee.

CDP's Board of Directors may also approve exceptions or derogations from this document, always on a case-by-case basis, and on the basis of evaluations conducted by the relevant departments, in accordance with applicable internal regulations and particularly with the General Responsible Lending Policy and the General Responsible Investment Policy.

## 3.2 Scope of the Company

This Policy applies, with the above specifications, to transactions carried out by CDP S.p.A. in the Defence and Security Sector.

CDP undertakes to ensure that this Policy is gradually extended to Group entities subject to management and coordination<sup>3</sup> that carry out Financing and Investment activities, in accordance with the principle of proportionality and considering the decision-making autonomy of the Group Companies' Corporate Bodies, and, in particular, of the supervised Entities<sup>4</sup>, as well as the specific legislation applying to the latter.

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# 4. PRINCIPLES AND CRITERIA APPLICABLE TO CDP'S TRANSACTIONS IN THE DEFENCE AND SECURITY SECTOR

CDP intends to operate in the Defence and Security Sector with the aim of meeting the defence and security needs of the States and aiding peace processes.

At the same time, CDP considers it to be of paramount importance that the Counterparties and countries involved in the transactions have adequate control measures in place to ensure that the assets covered by the Policy are only used with due respect for human rights and in accordance with the principles established in the international treaties. Therefore, CDP assesses the ability of those Counterparties and countries to ensure that such assets are not used for purposes other than those set out in this Policy, including, by way of an example but not limited to, use by terrorist organisations or other armed groups and use against the civilian population in violation of human rights.

CDP's business in the Defence and Security Sector is conducted in full compliance with the principles of the main International arms control Conventions and Treaties, the regulatory provisions enacted at European level and the Italian legislation. With reference to the latter, CDP ensures compliance with the provisions and the disclosure obligations set out in Italian Law 185/1990 and Italian Law 220/2021. Therefore, the provisions set out in this document are to be understood to supplement and not replace the provisions of those regulations.

<sup>3</sup> Pursuant to Articles 2497 et seq. of the Italian Civil Code.

<sup>4</sup> Companies subjected to a system of authorisations, regulations, inspections and information provision by sectoral Regulators (e.g. Bank of Italy and IVASS).

In light of the foregoing principles, CDP has defined specific criteria to guide its activities in the Defence and Security Sector. These criteria, as detailed in the paragraphs below, refer to:

- the type of defence and security assets covered by the transactions;
- the end-user in the transactions;
- the Counterparty in the transaction;
- the country of destination of the assets covered by the transaction.

For transactions in the Defence and Security Sector, in addition to identifying cases of exclusion CDP has also defined a specific transaction assessment model with reference to the Counterparties and the countries of destination of the assets covered by the transaction. If the analysis conducted reveals issues of concern, the outcome of the assessments will contain a proposal to proceed with restrictions depending on the level of the concerns raised.

## 4.1 Criteria regarding the object of the transaction

CDP does not intend to support in any way whatsoever assets that have indiscriminate effects and may cause undue harm or serious injury, including but not limited to controversial weapons and/or instruments of torture.

Therefore, CDP shall refrain from participating in any way in transactions involving:

- controversial weapons<sup>5</sup> and/or their key components<sup>6</sup> such as:
  - nuclear weapons;
  - chemical weapons;
  - biological weapons;
  - depleted uranium weapons;
  - anti-personnel mines;
  - anti-tank mines;
  - cluster munitions and submunitions;
- conventional firearms, small arms and light weapons unless the transaction: (i) involves items to be used exclusively by the armed forces and/or the police or (ii) refers to weapons that are manufactured and marketed for sporting purposes only or (iii) refers to weapons marketed in the EU member states;
- goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment<sup>7</sup>;
- the following cyber weapons: malicious software or systems specifically developed to carry out a cyber-attack on one or more servers/devices to disable or isolate them, or to create damages for one or more terminals in order to isolate them or to blackmail.

Transactions referring to the permitted defence materials and dual-use items are subject to verification of compliance with the additional criteria listed below.

## 4.2 Criteria regarding end-users

CDP intends to operate in the sector with the aim of meeting the defence and security needs of the countries and intends to exclude transactions where the end-user is an individual or organisation that could use the assets covered by the Policy for other purposes, for example, for acts of terrorism.

Therefore, CDP will only allow transactions that have as their end-user a government or a company authorised by a government, and which satisfy the requirements set out in Italian Law 185/1990.

<sup>5</sup> See the glossary for a comprehensive definition of controversial weapons and the relevant regulations.

<sup>6</sup> A critical component that is necessary for the operation of the controversial weapon and specifically designed for that purpose.

<sup>7</sup> The goods set out in Regulation (EU) 2019/125



## 4.3 Criteria regarding Counterparties<sup>8</sup>

CDP intends to establish relations only with Counterparties that comply with the legislation in force, the international restrictions on weapons and the international treaties ratified in Italy.

In addition to compliance with the regulatory requirements, CDP intends to define further criteria to be met by the Counterparties.

CDP will therefore refrain from participating in any capacity in transactions that have as the Counterparty a company that:

- directly or indirectly<sup>9</sup> through subsidiary/associate companies or parent companies, carries out an activity that involves the production, trade, stockpiling, sale, transfer, import or export of controversial weapons<sup>10</sup> and/or their key components<sup>11</sup>, or provides any service associated with such weapons, including technological research;
- manufactures and/or sells conventional firearms, small arms and light weapons, unless the transaction: (i) involves items to be used exclusively by the armed forces and/or the police or (ii) is carried out solely for R&D purposes and to improve the environmental/social impact of the business processes, or (iii) refers to weapons that are manufactured and marketed for sporting purposes only or (iii) refers to weapons that are marketed in the EU member states;
- manufactures and/or sells goods which have no use other than for the purposes of capital punishment, torture or other cruel, inhuman or degrading treatment or punishment<sup>12</sup>;
- is subject to the prohibition under Italian Law 220/2021.

Without prejudice to the exclusions specified above, CDP's assessment of Counterparties operating in the Defence and Security sector is based on what approach they take to managing ESG issues relevant to the sector, their governance, including which procedures they adopt when operating in countries that violate human rights and/or where the risk of corruption is high, in line with this Policy, how they manage the risk of corruption in their business activity and whether they have been involved in ESG disputes. If the assessments and checks conducted reveal shortcomings, CDP engages with the Counterparty in order to identify possible corrective measures or actions to mitigate the issues of concern and integrates the outcome of the discussions into its own assessment process. If the overall analyses identify significant issues of concern with no mitigation actions, CDP may decide to proceed with the transaction with an increasing level of restrictions.

In the case of Investment/Lending transactions having a specific purpose, these Counterparty assessments, together with the assessments conducted on the countries of destination, contribute to the overall transaction assessment.

## 4.4 Criteria regarding the countries of destination

With regard to transactions carried out in the Defence and Security Sector, CDP intends to avoid any form of complicity with human rights violations during armed conflicts and to limit the risk of exporting to countries where an armed conflict is ongoing, which do not provide adequate guarantees regarding the actual use and final destination of weapons, or are exposed to a high risk of corruption.

<sup>8</sup> With reference to export transactions, assessments will be carried out with regard to the exporters and, where applicable and permitted, the other companies involved in the transaction.

<sup>9</sup> To be understood as being indirectly involved are: a) subsidiary/associate companies pursuant to art. 2359 of the Italian Civil Code by companies or entities involved in the production, trade, stockpiling or any other activity or service associated with "controversial weapons" or the key components of a system utilised in those weapons, even where such companies do not operate in the weapons sector; b) direct parent companies of companies or entities involved in the production, trade, stockpiling or any other activity or service associated with the abovementioned "controversial weapons" or the key components of a system utilised in those weapons, even where such companies do not operate in the weapons sector. Such assessments are carried out on the basis of the best information available.

<sup>10</sup> Nuclear weapons (except in cases permitted by the existing international Treaties ratified in Italy and in compliance with responsibilities stemming from NATO membership), chemical weapons, biological weapons, depleted uranium weapons, anti-personnel mines, anti-tank mines, cluster munitions and submunitions.

<sup>11</sup> A critical component that is necessary for the operation of the controversial weapon and specifically designed for that purpose.

<sup>12</sup> The goods set out in Regulation (EU) 2019/125.

To this end, CDP<sup>13</sup> shall refrain from participating in any capacity in transactions involving countries that:

- are subject to a European Union, NATO or OSCE embargo on war supplies; and/or
- are in a state of armed conflict, identifying these countries also on the basis of the guidelines issued by Italian and international bodies.

For countries not falling under the above categories, CDP assesses:

- the level of corruption;
- respect for human rights;
- the existence of disputes concerning the sector;
- the ratification of the main international treaties on weapons.

The country assessments based on the above parameters are combined with the Counterparty assessments described in paragraph 4.3 above (including the analysis of the policies adopted to assess the risk of human rights violations in the countries they operate in and to prevent the risk of corruption) to determine the overall assessment outcome for the transaction. In the case of transactions in a flagged country where the counterparty's policies are considered to be not entirely satisfactory, CDP applies an increasing level of restrictions to its participation in the transaction, depending on the severity of the issues of concern raised.

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## 5. ROLES AND RESPONSIBILITIES

In the light of the context outlined, the roles and responsibilities of the various parties involved – in compliance with the regulatory and organisational system and with company powers and internal delegations – are defined below:

### **Board of Directors**

- approves this document, as well as any non-formal revision and the possible repeal thereof, on an exclusive and non-delegable basis;
- resolves, with exclusive powers, on all export transactions relating to the Defence and Security Sector, upon proposal of the Chief Executive Officer and subject to the non-binding mandatory opinion of the Risk and Sustainability Committee;
- assesses whether it is also appropriate to intervene in Financing/Investment operations in the areas excluded from this document, approving any exceptions or interventions by way of derogation, as indicated in Section 3, "Scope of Application".

### **Risk and Sustainability Committee**

- issues an opinion to the Board of Directors on this document and on any revisions;
- issues a non-binding mandatory opinion on transactions relating to the Defence and Security Sector, within the scope of its remit;
- issues specific opinions on any derogations.

### **Chief Executive Officer**

- proposes to the Board of Directors the approval of this Policy, as well as any changes;
- continuously supervises, receiving information flows for this purpose, the application of this Policy, thus ensuring an organisational structure appropriate for the objective.

<sup>13</sup> In accordance with the Group Policy on Sanctions and Embargos, CDP complies with the objective restrictive measures identified therein (i.e. restrictions of an economic nature, relating to products, including restrictions relating to the supply of weapons, military materials and goods which might be used for internal repression), as summarised in the individual Country Data Sheets annexed to the Group Policy on Sanctions and Embargos.

### **Policy, Assessment and Advisory Department**

- ensures the definition of proposals for updating this document, in conjunction with the other competent structures, in compliance with the provisions of the Regulation on “Regulatory and operational requirements for the Defence and Security sector”, while guaranteeing appropriate awareness-raising and training initiatives as well as continuous advisory support on the relevant interpretation;
- ensures, in conjunction with the structures involved, the proper implementation of this Policy, assessing the consistency of the various CDP areas of intervention with the principles defined therein, contributing, jointly with the structures concerned, to the necessary additions to the contractual framework, as well as informing the Top Management in the event of any discrepancies;
- conducts the analyses necessary to comply with the criteria set out in this Policy, with a view to forming a final summary opinion on the eligibility of the transaction;
- identifies relevant ESG issues associated with the sector to be analysed during the preliminary Financing/Investment assessment and supports in the assessment of key findings.

### **Sectoral Strategies and Impact Department**

- ensures the ex-post evaluation of the aggregate impact actually generated by the initiatives put in place by CDP is carried out.

### **Business Department**

- ensures, also by checking the information available in the company systems, the compliance of Financing transactions with the principles contained in this document, while also steering origination activities towards operations which are consistent with this Policy and the CDP General Responsible Lending Policy;
- submits, for the Board of Directors’ approval, all export transactions relating to the Defence and Security Sector, in accordance with this Policy.

### **Investment Department**

- ensures, also by checking the information available in the company systems, the compliance of Investment transactions with the principles contained in this document, while also steering origination activities towards operations which are consistent with the provisions established by this Policy, as well as those of the CDP General Responsible Investment Policy;
- submits, for the Board of Directors’ approval, all investment transactions relating to the Defence and Security Sector, in accordance with this Policy.

### **Risk Department**

- ensures second-level monitoring of risks (of competence), in compliance with the principles of the Risk Policy, the Group Assessment of Reputational Risk Policy and the Anti-Money Laundering Policy;
- proposes the timetable to the Risk and Sustainability Committee and contributes to the assessment investigation of this document and any amendments thereto, as part of the role of Committee Secretary.

### **Internal Audit Department**

- ensures third-level monitoring, based on the Regulations approved by the Board of Directors and according to a risk-based approach, assessing the completeness, adequacy, functionality (in terms of effectiveness and efficiency) and reliability of the internal control system as applicable to business processes;
- promptly reports critical issues identified during audits to the relevant company structures and periodically monitors the correct implementation of the resulting mitigation actions.

### **Communications, External Relations and Sustainability Department**

- contributes to identifying relevant issues useful for defining the strategic priorities, through constant dialogue with

the relevant stakeholders;

- ensures the monitoring and reporting of ESG goals and non-financial indicators, relating to the Consolidated Non-Financial Statement (NFS);
- oversees, in unison with the other competent Business Units, the dialogue with the ESG rating agencies in order to acquire information and content aimed at contributing to the improvement of this document;
- oversees, in unison with the other competent Business Units, the dialogue with civil society in order to acquire, monitor and guide policy on relevant issues.

## 6. TRANSPARENCY AND ACCOUNTABILITY

CDP, recognising the value of transparency and continuous dialogue with its customers, investors, rating agencies and civil society organisations, in order to understand their legitimate expectations, undertakes to ensure continuous and transparent reporting.

To this end, CDP publishes an annual non-financial report on its website, including the Consolidated Non-Financial Statement (NFS) pursuant to Italian Legislative Decree 254/2016, drawn up according to recognised standards (e.g. GRI Sustainability Reporting Standards, Integrated Reporting Framework, Sustainability Accounting Standards Board) and including its activities and the impacts generated, by its internal operations, and the aggregate impact of the Investment activities covered by this document.

This document is available on CDP's website.

## 7. ANNEXES

### 7.1 Glossary

- **UN 2030 Agenda**<sup>14</sup>: plan of action for people, the planet and prosperity signed in September 2015 by the governments of the 193 UN Member Countries. It incorporates 17 Sustainable Development Goals (SDGs) in a major agenda for action with a total of 169 targets.
- **Conventional firearms**: the weapons set out in art. 2 of Italian Law 110/75, including rifles and carbines which, though being suitable for use as war weapon, have specific characteristics for use in hunting and sporting activities, having limited firing capacity and designed for use with non-military ammunition. Conventional firearms include: rifles and semi-automatic rifles with one or more smoothbore barrels; rifles with two rifled barrels, with successive loading by manual action; combination rifles with two or three barrels (both smoothbore and rifle), with successive loading by manual action; rifles, carbines and muskets with one rifled barrel, even if designed for semi-automatic operation; rifles and carbines that use rimfire ammunition, only of the non-automatic type; revolvers; semi-automatic pistols. This category also includes ammunitions and explosives for small arms and lights weapons.
- **Controversial weapons**: weapons which have indiscriminate effects and cause undue damage and injury. This category may be extended over time to reflect future technological developments. At the date of publication of this Policy and for the purposes therein, the following are classified as controversial weapons:
  - **nuclear weapons** - any device which is capable of releasing nuclear energy in an uncontrolled manner and which has a group of characteristics that are appropriate for use for warlike purposes (definition taken from the 1967 Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean);
  - **chemical weapons** - meaning:

<sup>14</sup> <https://unric.org/it/agenda-2030/>

- a. weapons used in combat, which use the toxic properties of certain chemicals to cause death or harm or to incapacitate the enemy;
- b. munitions and devices or systems specifically designed to cause death or other harm through the toxic properties of chemicals;
- c. any equipment specifically designed for use directly in connection with the employment of the munitions and devices specified.

These weapons are regulated by the Chemical Weapons Convention (CWC, 1993), which prohibits any activity that aims to develop, produce, otherwise acquire, stockpile or retain or transfer chemical weapons.

- **biological weapons** - meaning:

- a. microbial or other biological agents, or the resulting toxins, used to cause harm or produced in quantities that have no justification for prophylactic, protective or other peaceful purposes;
- b. weapons, equipment or means of delivery designed to use such agents and toxins for hostile purposes. The biological agents used to develop biological weapons can be broken down into the following categories: viral (e.g. yellow fever), bacteriological (e.g. plague) and biological with indirect effects.

Biological weapons are regulated by the 1972 Biological and Toxin Weapon Convention (BTWC);

- **depleted uranium weapons:** depleted uranium is obtained as a by-product of the production of enriched uranium. It is used to make anti-tank munitions due to its armour-piercing qualities. It is not regulated by any international treaty but CDP has opted to include it as a material to be excluded from transactions, to the same extent as controversial weapons;

- **anti-personnel mines:** a mine designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons (Article 2, paragraphs 1 and 2, of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction, signed in Ottawa on 3 December 1997, ratified by Italian Law No. 106 of 26 March 1999. The same definition is utilised in Italian Law 220/2021 containing "Measures to counter the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions"). Mines designed to be detonated by the presence, proximity or contact of a vehicle as opposed to a person, that are equipped with anti-handling devices, are not considered anti-personnel mines as a result of being so equipped;

- **anti-tank mines:** mines designed to destroy or damage tanks and other vehicles;

- **cluster munitions and submunitions:** a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, with the specific exclusions indicated under a), b) and c), point 2, of Article 2 of the Oslo Convention prohibiting cluster munitions, signed in Dublin of 30 May 2008, as referenced in Italian Law No. 95 of 14 June 2011. This definition is also utilised in Italian Law 220/2021 containing "Measures to counter the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions").

- **Small arms:** weapons intended for use by an individual, such as self-loading revolvers and pistols, rifles and carbines, assault rifles and light machine guns. This category also includes ammunitions and explosives for small arms and lights weapons.
- **Light weapons:** generally defined as weapons designed for use by two or three persons, serving as a crew, although some may be carried and used by one person, including for example: heavy machine guns, portable anti-tank missile launchers, rocket launchers and portable anti-aircraft missile launchers. This category also includes ammunitions and explosives for small arms and lights weapons.
- **Counterparty:** the Beneficiary Company receiving the Financing or the Investment. In the case of export transactions, Counterparty means the company promoting the transaction.
- **Cybersecurity:** measures to preserve the confidentiality, integrity and availability of information in the Cyberspace, the latter to be understood to mean the complex environment resulting from the interaction of users, software and services on the Internet, through technological devices and Internet-connected networks<sup>15</sup>.
- **Environmental, Social and Governance (ESG):** the environmental, social and governance factors which qualify a financial activity as sustainable.
- **Financing/Lending<sup>16</sup>:** for the purposes of this document, this term means the financing activities carried out under any technical form permitted by law and by CDP's Articles of Association, using own funds, both at the national and the international level, including bonds, revolving credit facilities, the purchase of corporate receivables and the

issue of guarantees.

- **CDP Group:** Cassa Depositi e Prestiti S.p.A. and Companies subject to management and coordination by CDP S.p.A. pursuant to Articles 2497 et seq. of the Italian Civil Code.
- **Investment:** for the purposes of this document, this term means the investment activity carried out either through direct investments (investments in shares, units and/or securities representing the risk capital of companies, equity instruments, other instruments, including hybrids, similar in economic substance to the foregoing, both at a domestic and international level, or real estate investments), or through indirect investments (investments in units of mutual funds or funds of funds managed by asset management companies (SGR) and investments in other UCIs (Undertakings for Collective Investment), both at a domestic and international level).
- **Defence materials:** materials which, due to their technical-constructive or design requirements or characteristics, are such as to be considered built primarily for military use or for use by the armed forces or police, as defined by Art. 2 of Italian Law 185/90, as amended, and classified in the following categories<sup>17</sup>:
  - Nuclear, biological, chemical and electric weapons
  - Automatic firearms and the related ammunition
  - Mid and large calibre weapons and armaments and the related ammunition
  - Bombs, torpedoes, mines, rockets and missiles
  - Tanks and vehicles specifically designed for military use
  - Vessels and the related equipment, specifically designed for military use
  - Aircraft and helicopters and the related equipment, specifically designed for military use
  - Powders, explosives, propellants
  - Electronic, electro-optical and photographic systems or equipment, specifically designed for military use
  - Special armoured materials specifically designed for military use
  - Specific material for military training
  - Machinery, apparatus and equipment designed for the purpose of manufacturing, testing and controlling weapons and munitions
  - Special equipment specifically designed for military use
- **Goods which have no practical use other than for the purposes of capital punishment, torture and other cruel, inhuman or degrading treatment or punishment:** the goods identified in Regulation (EU) 2019/125, specifically, equipment whose main purpose is for use in capital punishment, torture or other cruel, inhuman or degrading treatment or punishment, such as goods designed for the execution of human beings or to restrain human beings.
- **Sustainable Development Goals (SDGs):** 17 goals agreed by the United Nations that aim to achieve a total of 169 targets relating to economic and social development, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, urbanisation, the environment and social equality.
- **Dual-use items:** items, including software and technology, which can be used for both civil and military purposes, and includes items which can be used for the design, development, production or use of nuclear, chemical or biological weapons or their means of delivery, including all items which can be used for both non-explosive uses and assisting in any way in the manufacture of nuclear weapons or other nuclear explosive devices (Article 2 of Regulation (EU) 2021/821).
- **Strategic Plan:** CDP's 2022-2024 Strategic Plan, approved by CDP's Board of Directors at its meeting of 25 November 2021, including any subsequent updates.
- **Defence and Security Sector:** sector related to the production and trade of weapons, defence materials, dual-use goods used in the sector, including cybersecurity products or services.

<sup>15</sup> Source: ISO 27001.

<sup>16</sup> For transactions falling within the scope of Italian Law 220/2021, and for the purposes of the prohibitions set out therein, this term must be understood in the broadest sense and, consequently, include any form of financial support provided, also through subsidiary companies based in Italy or abroad, including, by way of example but not limited to, granting credit in any form, issuing financial guarantees, acquiring equity investments, purchasing or subscribing to financial instruments.

<sup>17</sup> <http://www.difesa.it/SGD-DNA/Staff/Reparti/II/RNI/Pagine/Lista-materiali.aspx>

This document has been approved by the Board of Directors on 14 december 2022.

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