

Defence Sector Policy

Document purpose and scope

The Defence Sector Policy applies to any banking operation conducted by the Bank with companies carrying out activities related to the defence goods and dual-use items. The Policy includes reference to the values and principles based on the respect for human rights.

Which ESG-related issues does the Policy address?

The Group believes that, according to the United Nations Charter, each nation has the right to individual or collective self-defence. At the same time, funding the manufacture and trade of defence goods and dual-use items is unacceptable when there is a risk of:

- their use by terrorist groups and organized crime,
- countries in which human rights are violated or in unstable regions.

Customer analysis is performed at the moment of client on-boarding, while closing financial transactions and during periodic reviews.

Prohibited activities include the financing or support in relation to the manufacture, trade, distribution or maintenance services of chemical, biological or nuclear weapons. Potential transactions involving ammunition containing depleted uranium are subject to extended due diligence. When it comes to antipersonnel mines or cluster munitions, their analysis is based on the applicable laws, ratified treaties and information about the goods end-user.

Restricted activities include all other transactions relating to defence goods/ materials or dual-use items and technologies. Such transactions are subject to additional risk assessment procedures. The risk of the country from which the parties to the transaction originate is taken into consideration (e.g. a country which has not ratified core UN legal instruments on human rights or is subject to sanctions against human right violations). It needs to be checked whether the transaction respects the conventions and treaties on non-proliferation of weapons. Additionally, the responsible employees check whether the parties to the transaction are placed on the list of prohibited business kept by the Bank and updated annually.

The highest management level responsible for the Policy

The Head of Compliance Department is responsible for developing and updating the Policy.

Application across the Bank's subsidiaries

The Policy applies at the Bank, Erste Factoring and Erste TFI. Erste Leasing has its own defence sector regulations.