



**Policy on the Prohibition of Investment in  
Manufacturers of Anti-Personnel Mines, Cluster  
Munitions and Sub-munitions**

## Index

1. Introduction and Overview .....	3
2. Scope of Application .....	4
3. Governance .....	4
4. Organisational measures to counteract the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions .....	5
4.1. Ban on investment .....	5
4.2. Enhanced verification .....	6
4.3. Reporting to the Supervisory Bodies .....	6
5. Criteria and methods for selecting and changing information sources .....	7
6. Application rules for different investment types .....	7
6.1. Financing of third-party companies (credit AIF) .....	7
6.2. Sale-leaseback real-estate transactions (real-estate AIFs) .....	7
7. Final Provisions .....	8

## References

- [1] Italian Law no. 220 of 9 December 2021 containing identification of “Measures to counter the financing of manufacturers of anti-personnel mines and cluster munitions and submunitions”, issued in implementation of the Ottawa Treaty of 18 September 1997 (ratified by Italian Law no. 106 of 26 March 1999) and of the Convention on Cluster Munitions signed in Oslo on 30 May 2008 (ratified by Italian Law no. 95 of 14 June 2011).

## Changes to the Document

Versions	Date	Description of Changes
00	03/02/2025	First issue and approval by the Board of Directors

## Definitions

- *Investment Department* - team of resources (Managers) who, based on the assigned mandates of internal management, carry out investment activities in relation to the Alternative Investment Funds (AIFs) under management.

## 1. Introduction and Overview

This policy governs the guidelines adopted by Castello SGR (hereafter, the “Company” or the “AMC”), in line with the dictates of Italian Law 220 of 9 December 2021, which identifies “*Measures to combat the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions*” (hereafter, the “Law”), issued in implementation of the Ottawa Convention of 18 September 1997 (ratified with Italian Law 106 of 26 March 1999) and the Oslo Convention of 30 May 2008 (ratified with Italian Law 95 of 14 June 2011), which introduced “*the complete prohibition on financing companies of whatever legal form, headquartered in Italy or abroad, which, directly or through subsidiaries or associated companies, pursuant to article 2359 of the Italian Civil Code, manufacture, produce, develop, assemble, repair, store, utilise, hold, promote, sell, distribute, import, export, transfer or transport anti-personnel mines, cluster munitions or sub-munitions, of any type or composition, or parts of the same. It is also prohibited to carry out technological research, manufacture, sell or transfer, for whatever reason, export, import or hold cluster munitions or submunitions, of any type or composition, or parts of the same*”.

The Policy also takes into account the “*Instructions issued by the Bank of Italy, COVIP, IVASS and MEF for the implementation of enhanced controls over the operations of authorised intermediaries to counteract the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions*”.

Under the new regulatory framework, authorised intermediaries, which include Italian asset managers, must first of all adopt **appropriate procedural controls**, using a **risk-based approach** and adhering to the **principle of proportionality**. The controls shall vary in accordance with **activity type, size and operational complexity**, and be appropriately **formalised** within the internal rules and **designed to ensure compliance with the ban** on financing of manufacturers of anti-personnel mines, cluster munitions and submunitions.

By virtue of the controls implemented and governed by the following policy, it is considered that Castello SGR’s operating model presents a **low risk of breach of the ban on the financing** of manufacturers of anti-personnel mines, cluster munitions and submunitions, introduced by Italian Law 220/2021, on the basis of the following considerations:

- (i) the ESG policy expressly states in reference to closed-ended AIFs that “[...] *additionally, the AMC excludes tenants who engage in production or marketing of or whose activities are related to: • weapons deemed controversial or prohibited under major international conventions...*”
- (ii) exclusion, by virtue of its characteristics, of the possibility of investing in companies that are not related to the real-estate management activity of the funds
- (iii) the limited number of companies to which forms of financing have been issued by the credit AIFs under management
- (iv) exclusion of the application of the law for typical real-estate management activity (purchase and sale of property, leasing, etc.) with the exception of rare cases of real-estate sale-leaseback.

## 2. Scope of Application

For the purposes of compliance with the bans provided for by the Law, Castello has defined the following criteria of interpretation to be used in order to define its scope of application:

- **Products:** the legal ban applies indiscriminately to all products managed by the AMC: closed-ended real-estate AIFs (in the case of sale-leaseback transactions) and closed-end credit AIFs (in the case of financing of third parties).

## 3. Governance

In order to ensure correct implementation of the policies adopted, Castello SGR has defined a governance system dedicated to the management of this policy, as detailed below.

### **Board of Directors**

1. Defines and approves this Policy and subsequent revisions, the criteria for application of the Law and the additional measures for related monitoring of restrictions applied.
2. Examines and approves the criteria for application of the Law, and the annual proposal to update the public lists used for definition of the list of prohibited issuers to be consulted, and defines the corresponding limitations as proposed by the ESG Area.
3. Examines and approves the updated list of prohibited issuers, drawing on the findings of six-monthly monitoring activity conducted by the Investment Department.
4. Verifies periodically the correct implementation of the Policy on the basis of the controls carried out by Risk Management.
5. Examines the six-monthly reports submitted by the Risk Management Area on the monitoring performed and any breaches of limitations established and governed by this policy (including reports sent to Supervisory Authorities).

### **ESG Area**

1. Proposes the criteria for application of the law to the Board of Directors, as well as the public lists to be consulted and the related additions, sending these to the Board for approval.
2. Carries out periodic monitoring of updates to the lists, evaluating their applicability over time and proposing any amendments.

### **Investment Department**

1. Proposes the updated list of prohibited issuers to the Board of Directors every six months, on the basis of the public lists approved, also taking into account the findings of periodic monitoring activity conducted by the ESG Area as detailed under the second point of the previous paragraph.
2. Operates in compliance with the prohibitions and limitations defined in this Policy and approved by the Board of Directors.

3. With reference to the operations of closed-ended AIFs, the Investment Department examines the financial statements<sup>1</sup> and other public documents, as well as business, accounting and legal due diligence reports to understand whether company operations fall within prohibited sectors pursuant to applicable laws.

## **Business Development**

1. Operates in compliance with the prohibitions and limitations defined in this Policy and approved by the Board of Directors.
2. With reference to launching operations of closed-ended AIFs, examines the financial statements and other public documents (business, accounting, legal, etc.) to understand whether company operations of issuers under consideration for financing operations fall within prohibited sectors pursuant to applicable laws.

## **Risk-Management Area**

1. Oversees the implementation of controls and monitoring in compliance with the limitations envisaged by the Regulation and this Policy and the limitations approved by the Board of Directors.
2. Handles reports to the Supervisory Authority of any breaches as identified in this policy, via the methods set out by the relevant legislation.
3. Handles six-monthly reporting to the Board of Directors regarding monitoring of established limitations. Detailed information on control activity carried out is provided in the annual report submitted to Corporate Bodies and sent to the Supervisory Authorities.

## **Compliance & AML Area**

1. Performs checks on compliance with applicable legislation and correct application of this policy. This activity is performed periodically and on the basis of its own programme of scheduled checks, providing precise information on findings, any weaknesses identified and corrective actions implemented in the annual report submitted to Corporate Bodies and sent to the Supervisory Authorities.

## **4. Organisational measures to counteract the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions**

### **4.1. Ban on investment**

In order to counteract the financing of manufacturers of anti-personnel mines, cluster munitions and submunitions, the AMC bans investment in issuers that fall within this operating scope.

---

<sup>1</sup> of the issuers for whom “financing” operations exist pursuant to the relevant legislation.

Banned issuers are included in an “exclusion list” updated at six-monthly intervals by the Investment Department and based on the following criteria:

- issuers that appear in publicly available lists (known as “**public lists**” - as identified in para. 5)

The Investment Department prepares the proposed exclusion list and presents it to the Board of Directors for review and approval.

Having confirmed the exclusion list, the Investment Department shares it with the Risk-Management Area for:

1. **Monitoring of outstanding positions:** the Risk-Management Area checks for any positions with issuers included in the exclusion list. If any are identified, the Risk-Management Area reports this to the Investment Department for evaluation of the most appropriate corrective action and reporting to the Supervisory Authorities.
2. **Assignment of risk profiles for direct investments:** The Risk-Management Area assigns risk profiles to issuers subject to analysis during updating of the exclusion lists and, therefore, at six-monthly intervals and on the basis of the criteria indicated in paragraph 6.

The exclusion list is also made available to all company functions through its publication on the company Intranet.

## 4.2. Enhanced verification

Issuers who have received “financing” as defined by the applicable legislation, who are assigned a risk profile, are subject to the following enhanced verification process, carried out by the Risk-Management Area:

- **High risk:** monthly verification of the possible inclusion of the issuer in the approved public lists
- **Low risk:** six-monthly verification of the possible inclusion of the issuer in the approved public lists.

## 4.3. Reporting to the Supervisory Bodies

When “financing” operations are identified, as defined by the applicable legislation, that are directly and/or indirectly attributable to issuers included on the exclusion list, the Risk-Management Area swiftly reports the situation to the Supervisory Bodies via the methods established by the applicable legislation.

## 5. Criteria and methods for selecting and changing information sources

As previously specified, the companies in which investment is prohibited are identified by an exclusion list, to be updated every six months, drafted on the basis of evidence from publicly available lists (known as “**public lists**”).

In particular, these lists are selected and used on the basis of the following criteria:

- free accessibility and availability of data;
- periodicity of information updates;
- reliability of the data shown.

The ESG Area governs the process for evaluating whether criteria are satisfied, annually checking that the requirements laid down in this policy are met. Should one or more requirements be lacking, the ESG Area launches selection and assessment of new public lists, where available.

The findings of the analyses conducted, together with any amendment proposals, are submitted to the Board of Directors by the ESG Area for consideration.

The Board of Directors examines the information and evaluates any proposals, confirming and/or amending the public lists used as sources for the analysis.

The ESG Area informs the Investment Department of the outcome of the Board of Directors' evaluation.

## 6. Application rules for different investment types

Given the low risk of breach of the regulations and the principle of proportionality, the AMC adopts the following application rules, broken down by investment type.

### 6.1. Financing of third-party companies (credit AIF)

- **prohibited issuers:** included on the selected public lists
- **high risk:** if the issuer has their registered office and/or primarily operates in a country containing issuers in whom investment is prohibited and who operate in the defence sector or carry out manufacturing of products primarily destined for the defence sector
- **Low risk:** if the issuer has their registered office and/or primarily operates in a country containing issuers in whom investment is prohibited who do not operate in sectors considered high risk and do not carry out activity considered high risk
- **no risk:** all other issuers.

### 6.2. sale-leaseback real-estate transactions (real-estate AIFs)

- **prohibited issuers:** included on the selected public lists
- **high risk:** if the issuer has their registered office and/or primarily operates in a country containing issuers in whom investment is prohibited and who operate in the defence sector or carry out manufacturing of products primarily destined for the defence sector

- **low risk:** if the issuer has their registered office and/or primarily operates in a country containing issuers in whom investment is prohibited who do not operate in sectors considered high risk and do not carry out activity considered high risk
- **no risk:** all other issuers.

## 7. Final Provisions

This Policy is addressed and made available to all staff of the AMC. A summary of it is available for all stakeholders on the company's website.

Any amendments or supplements to this Policy are subject to approval by the Board of Directors. Amendments and supplements of a purely formal nature (e.g. adjustments in line with legal and/or regulatory provisions, internal company regulations or the Company's organisational structure) may be approved severally by the Chairperson or the CEO.