

INTERNAL MEMO – PROCEDURES

NP 2014-07 July 2014

Re	Framework for dealing with and excluding counterparties with ties to the arms sector
Issued by	Group Risk Management / Compliance / Sustainable Development
Summary	This internal memo describes the operating principles applicable to counterparties with ties to the arms sector, distinguishing between controversial weapons (anti-personnel landmines and cluster bombs), sensitive weapons and other arms and defence equipment.
Supersedes	PM No. 2012-16
Scope	Crédit Agricole S.A. group
Dissemination	Crédit Agricole S.A. group Intranet French version available please refer to amended appendix

This internal memo sets out a general framework for dealing with or excluding companies in the arms and defence sector with respect to financing, investing and providing services. It is part of the sustainable development principles to which the Crédit Agricole S.A. Group, as a mutual institution and economic agent, is actively committed in the name of social and environmental responsibility.

It cancels and replaces Internal Procedure No. 2012-16.

It recognises:

- the fundamental role played by the arms industry as a supplier of defence equipment,
- the right of countries to defend themselves and ensure their security,
- the more sensitive nature of certain categories of weapons,
- the specific problems posed by certain destination countries,
- the existence of international agreements embodied by the Ottawa and Oslo treaties relating to controversial categories of arms,
- the existence of a European Union code of conduct for arms exports and definitions of the military equipment covered by the code in the Official Journal of the European Union,
- the prospect of negotiating a treaty on small arms trade.

It distinguishes three categories of arms subject to specific rules: controversial weapons (anti-personnel landmines and cluster bombs), sensitive weapons (the financing or proliferation of which is circumscribed in certain jurisdictions) and other weapons and defence equipment.

The provisions in this memo apply to all entities of the Crédit Agricole S.A. group within its scope of internal control within the meaning of CRBF Regulation 97-02 as amended. They are to be implemented by the Regional Banks of Crédit Agricole, under the direction of their boards of directors and executive management.

I. CONTROVERSIAL WEAPONS: PRINCIPLE OF PROHIBITED DEALINGS AND COUNTERPARTIES TARGETED

The development, manufacturing, production, acquisition, storage, retention, offer, sale, import, export, trading, brokerage, transfer and deployment of anti-personnel landmines (APL) and cluster bombs (CB) are prohibited by the Ottawa and Oslo treaties signed by numerous countries, including France, which also - through Act 2010-819 of 20 July 2010 - prohibits assistance, encouragement or incitement to manufacture, produce, acquire, store, retain, offer, sell, import, export, trade, broker, transfer or deploy these weapons.

In accordance with these treaties, investments on the bank's own account or on behalf of third parties (apart from index-based investing), financing of any sort, and services (insurance, mergers & acquisitions, advisory, etc.) are forbidden for counterparties involved in the **development, manufacturing, production, acquisition, storage, retention, offer, sale, import, export, trading, brokerage, transfer and deployment** of APLs or CBs. The list of prohibited counterparties is kept up to date by the Group Risk Management and Permanent Controls Department, and updated at the request of General Secretariat / Sustainable Development Department of Crédit Agricole S.A. (backed by the SRI department of Amundi). It is published on the intranets of the Group Risk Management and Permanent Controls Department (under the internal regulation heading) and the Compliance Department (see also Appendix 1). Special cases require the approval of the Risks Department, the Sustainable Development Department and Compliance Department, via email address «procedure.armement@credit-agricole-sa.fr».

II. SENSITIVE WEAPONS

Financing the manufacture, use or possession of inert ammunition and armour containing depleted uranium or any other type of industrial uranium (see list of companies in Appendix 2) is forbidden in some jurisdictions (e.g. Belgium). However, the rule regarding controversial weapons (paragraph I) shall also apply to this kind of weapons, whatever the jurisdiction.

The proliferation of nuclear, biological and chemical weapons and weapons of mass destruction, or of their carriers (see act 2011-266 of 14 March 2011) is a very sensitive issue and may be governed by international agreements.

Any investment/holding, financing or provision of services (insurance, mergers and acquisitions, advisory, etc.) involving companies specialising in these types of weapons or their carriers must be considered a sensitive transaction, unless it is lawful in the jurisdiction in question, and must be submitted for opinion to the General Secretariat/Sustainable Development Department of Crédit Agricole S.A. This responsibility may be delegated, if need be, in subsidiary's level, to an ad hoc social and environmental risk assessment body (i.e. delegation given to the CERES committee for CA-CIB). Given the specific risks linked to their proliferation, the Crédit Agricole S.A. group is forbidden from financing international trade in sensitive weapons or their carriers.

III. OTHER WEAPONS AND DEFENCE EQUIPMENT

This category covers military equipment that is dealt with in the above legislation and regulations but does not fall into the preceding two categories (controversial and sensitive weapons).

Subject to the aforementioned limitations (sections I and II of this document), investing in, financing and providing services (insurance, mergers and acquisitions, advisory, etc.) to arms exporting companies and groups are authorised with respect to companies and groups based in an OECD country.

In addition, the financing of the following international trade transactions ("Trade Finance") is authorised:

- exports from any OECD country to the European Union,
- exports from any OECD country to a public entity or equivalent in the OECD outside of the European Union, although financing exports from a non-OECD country must be authorised by the entity's Compliance Department,

However,

- if the transaction involves the financing of exports from a non-OECD country,
 - or if the importer is not a public entity or similar of an OECD country outside the European Union,
 - or if the importing country is on the list of countries under surveillance (subject to embargoes from the EU, OFAC, UN etc.) or on the list of countries that present at least a moderate/high level of risk associated with human rights and conflict regions,
 - or if the transaction involves an intermediary,
- approval must be obtained from the entity's Compliance Department.

Financing for these operations must also meet the following conditions:

- the client must have been approved by the Financial Security unit from a Know Your Customer (KYC) perspective before the export date,
- the exporter and importer must have the administrative authorisations necessary for the transaction,
- payment flows must comply with the conditions of the export contract and the beneficiaries must be the contractual parties,
- the financing must not infringe the OECD Anti-Bribery Convention or applicable laws.

The list of countries under surveillance and/or under sanction is kept by the Compliance Department of Crédit Agricole S.A. (DDC intranet), and the list of countries presenting risks associated with human rights and conflict regions is kept by the General Secretariat/Sustainable Development Department of Crédit Agricole S.A. (see Appendix 3).

IV. ALERT AND CONTROLS

Any exception to the above principles must be reported immediately by the entity in question to the Risk Management and Permanent Controls Department (Business Monitoring Unit), to the Sustainable Development Department of Crédit Agricole S.A and to its correspondent in Compliance Department of Crédit Agricole S.A, via email address «procedure.armement@credit-agricole-sa.fr».

These provisions are subject to a permanent control mechanism within each entity. To this end, the Risk Management and Permanent Control Officer (RCPR) and the Head of Compliance must coordinate with each other. The RCPR verifies, in particular, the appropriateness of the first-line controls or the second-line/first-level controls implemented by the finance department of his or her entity in compliance with this Memo.

The provisions are subject to periodic controls by the entities' inspection teams and Crédit Agricole S.A.'s General Inspection.

Joseph d'Auzay
Corporate Secretary – Crédit Agricole S.A.

**APPENDIX 1
LIST OF PROHIBITED COMPANIES IN RELATION TO CONTROVERSIAL WEAPONS**

Companies, listed or not, subject to a ban on investment, holdings (for own account or for third parties), financing and services

Scope: companies on the list and their direct parents (i.e. the entity that holds most voting rights in the subsidiary or that has a dominant influence over the subsidiary)

Counterparty	Country
AEROSPACE INDUSTRIES ORGANIZAT	Iran, Islamic Republic of
AEROSPACE LM INTL TRADE CO	China
AEROTEH	Romania
ALLIANT TECHSYSTEMS INC	United States
AMERICAN ORDNANCE LLC	United States
ARAB ORG INDUSTRI ELECTRONICS	Egypt
ARYT INDUSTRIES LTD	Israel
AVCO CORPORATION	United States

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AMENDED APPENDIX**

CHINA AEROSPACE SCIENCE&TECHNO	China
CHINA NORTH INDUSTRIES INVESME	China
CHINA NORTHERN INDUSTRY CORP	China
CHINA POLY GROUP CO	China
CHINA PRECISION MACHIN IMP-EXP	China
CHINA SOUTH INDUSTRY GRP CORP	China
CHINA XINSHIDAI CO	China
CHINESE STATE ARSENALS	China
CHUNG-SHAN ISCT	United States
DAY & ZIMMERMANN CO	United States
DEFENCE INDUSTRIE ORGANIZATION	Iran, Islamic Republic of
Defence Industries Organization	India
DIP HOLDINGS	Korea, Republic of
DOOSAN CORP	Korea, Republic of

DOOSAN DST	Korea, Republic of
EGYPT CHEMICAL INDUSTRIES	Egypt
FEDERAL STATE UNIT ENTP	Russian Federation
GNPP BAZALT FGUP	Russian Federation
GNPP SRLAV FGUP	Russian Federation
HANWHA CORP	Korea, Republic of
HELWAN COMPANY MACHINE TOOLS	Egypt
INDIAN ORDNANCE FACTORIES	India
ISRAEL MILITARY INDUSTRIES LTD	Israel
KONSTRUKTA INDUSTRY	United States
L-3 COMMUNICATIONS CORP	United States
L-3 COMMUNICATIONS HOLDINGS IN	United States
L-3 FUZING&ORDNANCE SYSTEM INC	United States
LOCKHEED MARTIN CORP	United States

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MYANMAR DEFENCE PRODUCTS INDUS	Myanmar
NORINCO INTL COOPERATION	China
ORDTECH MILITARY IND	Greece
PAKISTAN ORDNANCE FACTORIES	Pakistan
POLY TECHNOLOGIES INC	China
POONGSAN CORP	Korea, Republic of
POONGSAN FNS CORP	Korea, Republic of
RESHEF TECHNOLOGIES	Israel
RUSSIAN TECHNOLOGIES STATE COR	Russian Federation
SAKR FACTORY DVLPMI INDUSTRIES	Egypt
SHAHID BAGHERI IND	Iran, Islamic Republic of
SICHUAN ACADEMY AERO TECHNO	China
SICHUAN AEROSPACE INDUSTRY CORP	China
SINGAPORE TECHN ENGINEERING	Singapore

SINGAPORE TECHNOLOGIES KINETIC	Singapore
TECHNOPOL INTERNATIONAL AS	Slovakia
TEMASEK FINANCIAL III LTD	Singapore
TEXTRON FINANCIAL CORP	United States
TEXTRON INC	United States
TEXTRON SYSTEMS INC	United States
UNION OF MILITARY INDUSTRIES	Cuba
YUGOIMPORT-SPDR JP	Serbia
ZVS HOLDING AS	Slovakia

IMPORTANT: IF THE COUNTERPARTY DISPUTES still being involved, directly or indirectly, in the development, manufacturing, production, acquisition, storage, retention, offer, sale, import, export, trading, brokerage, transfer and deployment of cluster bombs, YOU MUST CONTACT YOUR

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of the list's revision date. Financing already granted to companies on this list is managed on a run-off basis.

**APPENDIX 2
LIST OF COMPANIES IN RELATION TO DEPLETED URANIUM**

Companies, listed or not, subject to a ban on investment, holdings (for own account or for third parties), financing and services

Scope: companies on the list and their direct parents (i.e. the entity that holds most voting rights in the subsidiary or that has a dominant influence over the subsidiary)

List below updated February 12th 2014

Contrepattie	Pays
AEROJET ORDNANCE TENNESSEE INC	Singapore
AEROJET-GENERAL CORP	Singapore
ALLIANT TECHSYSTEM OPER LLC	Singapore
GENCORP INC	United States
GENERAL DYNAMICS CORP	United States

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AMENDED APPENDIX**

ST ENGINEERING INT LTD	Singapore
TEMASEK FINANCIAL I LTD	Singapore
TEMASEK FINANCIAL II LTD	Singapore

IMPORTANT: IF THE COUNTERPARTY DISPUTES still being involved, directly or indirectly, financing the manufacture, use or possession of inert ammunition and armour containing depleted uranium or any other type of industrial uranium, YOU MUST CONTACT YOUR COMPLIANCE OFFICER.

Special cases:

Any investments/holdings in third parties appearing on the list must be divested within three months of the list's revision date. Financing already granted to companies on this list is managed on a run-off basis.

APPENDIX 3

COUNTRIES PRESENTING RISKS ASSOCIATED WITH HUMAN RIGHTS AND CONFLICT REGIONS

The Crédit Agricole Group uses the following interactive map produced by the insurance company AON to determine its policy of involvement.

2014 Map:

