



"Arms industry and arms trade" policy

Introduction

In the context of its Corporate Social Responsibility policy, Crédit Agricole S.A. and its subsidiaries (hereinafter referred to as "the Group") have defined a policy designed to govern all of its activities relating to the defence industry and the trade in civil or military weapons and related services.

The Group recognises the right of members of the United Nations to individual and collective self-defence, as defined in Article 51 of the United Nations Charter of 26 June 1945, and specified in Article 1 of United Nations General Assembly Resolution 3314 of 14 December 1974. The exercise of this right requires the possibility of maintaining a sovereign armed force that is equipped through the production or purchase of armaments, as well as the implementation of collective security arrangements that have been created within the framework of international law.

The Group recognises the responsibility of each State to regulate the international arms trade in compliance with its international obligations, and to prevent any circumvention of these requirements. This responsibility involves establishing and implementing a national control system, and includes the obligation to respect and ensure the respect of international humanitarian law, in accordance with the Geneva Conventions of 1949, among others, and to respect and ensure respect for human rights in accordance with the Charter of the United Nations and the Universal Declaration of Human Rights, among others. The group calls on all States to strengthen their national control systems on the basis of the best practices as defined by the Arms Trade Treaty.

The Group welcomes and encourages the initiatives taken by the international community to regulate the arms trade, to promote disarmament, to eliminate categories of weapons that are incompatible with international humanitarian law and to prevent the proliferation of weapons of mass destruction, while taking into account international security conditions and any strategic developments. As a European banking institution based in France, the Group is in step with the Council of the European Union's Common Position 944/2008, which came into force on 24 December 2014, that defines the common rules governing the control of exports of military technology and equipment based on criteria defined by the Arms Trade Treaty, and with France's proactive stance on disarmament, arms control, and non-proliferation.

The Group recognises that the defence industry and arms trade carry specific risks that have long been identified by the international community: corruption and illegal acquisition of interests, misappropriation and trafficking of arms, proliferation of weapons of mass destruction, certain weapons' intrinsic discrepancies with regard to international humanitarian law, excessive public expenditure, particularly for developing countries, the illicit accumulation of arms that can feed organised crime networks or contribute to terrorism and the destabilisation of States, and their use for internal repression, international aggression, or serious violations of international humanitarian law that could contribute to regional instability.

As a banking institution that actively finances the defence, industrial, and technological industries of the countries in which it operates and by providing international guarantees for the arms trade, the Group may be exposed to some of these risks.

The Group recognises that the legitimate concerns of civil society stakeholders have played an important role in ensuring that international regulation helps to improve the control of the arms trade, while preserving the right of States to ensure their security and self-defence. The Group remains attentive to the concerns of civil society related to the risks associated with financing the arms industry and arms trade.

The Group is aware of its responsibility in this area and exercises its corporate due diligence in accordance with the criteria defined in this policy.

1. Commitment

The Group is committed to implementing an approach for managing the specific risks that are related to certain types of weapons and equipment, the counterparties that are involved in financing and transactions, and the end use of the weapons.

The Group implements enhanced vigilance procedures, with the primary concern being compliance with national legislation, European regulations, and embargoes and sanctions imposed by the United Nations, the European Union, and the OFAC.

In cases where the analysis by Group entities extends beyond their specific legal obligations, it is performed on a best effort basis and is dependent on the quality, accuracy, and topicality of the information that is provided by its counterparties or that is available through open sources.

2. Scope of application

The policy concerns:

- any weapon of mass destruction¹,
- all types of conventional weapons, explosives and ammunition, including small arms and small-calibre weapons for civilian and military use²,
- any other item mentioned on the European Union's joint list of military equipment³,
- any equipment that could be potentially used for internal repression⁴,
- any equipment which is likely to be used for, or has no other practical use, than for the purpose of capital punishment, torture, or other cruel, inhuman or degrading treatment⁵,
- dual-use goods⁶;

It applies to all the Group's customers and counterparties who are active in the development, manufacture, production, acquisition, storage, conservation, supply, transfer, import, export, trade, brokerage, transfer, and use of the equipment covered by the policy, regardless of the proportion of their turnover that is related to it.

¹ As referred to in United Nations Security Council Resolution 1540 of 28 April 2004.

² As defined by the Arms Trade Treaty which entered into force on 24 December 2014, and by the Protocol targeting the illicit production and trafficking in firearms that was adopted by the AGNU/55/255 resolution of 31 May 2001.

³ As adopted by the EU Council on 17 February 2020 resulting from the Common Position 2008/944/PESC.

⁴ The reference list comes from the EU Council Regulation No. 36/2012 of 18 January 2012.

⁵ Council Regulation 1236/2005 of 27 June 2005 amended by the Commission's implementing regulation No. 775/2014.

⁶ As defined by the EU Regulation No. 2021/821 of the European Parliament and of the Council.

3. Scope of concerned activities

The policy is implemented by all the Group's entities and business lines.

The policy applies to all banking and financial operations, products, services, and transactions that are provided and performed by Group entities.

The policy also applies to asset management (excluding indexed management) on the company's behalf or on behalf of third parties, and to market instruments and their derivatives of the entities involved in the previously defined activities.

In the context of the Group's distribution of external funds, asset managers are encouraged to adopt the same standards.

4. Sector-specific criteria

As the Group's activities are international, the laws and regulations which govern its customers may vary from one country or region to another. The Group requests that its customers comply with the laws and regulations of each country in which they operate.

In particular, the Group expects its counterparties and customers to comply with the requirements for obtaining export or re-export licences and with the international conventions ratified by the countries in which they operate, as well as with all regulations that are applicable to the trade in arms, security equipment and services, and dual-use goods.

The Group has defined the following criteria, which are incorporated into its decision-making process for the provision of banking and financial services to the arms industry and arms trade:

4.1 Exclusions

4.1.1 *Exclusion of certain weapons and equipment.*

The Group excludes a certain number of weapons and equipment from its activities as they are banned by international conventions or by European Union regulations. This concerns:

- nuclear weapons of States that are unauthorised to hold them under the 1970 Non-Proliferation Treaty,
- biological or toxin weapons as defined by the 1972 Convention,
- chemical weapons as defined by the 1993 Paris Convention,
- non-locatable fragmentary weapons and blinding laser weapons covered by Protocols II and IV of the Convention on specific conventional weapons of 2 December 1983 and 30 July 1998,
- anti-personnel mines as defined by the 1999 Ottawa Convention,
- equipment that has "no practical use other than to inflict capital punishment, torture, or other cruel, inhuman or degrading treatment or punishment", as defined by the EU Council Regulation No. 1236/2005,

- cluster munitions as defined by the 2008 Oslo Convention.

The Group will not take part in any transaction involving these excluded weapons and equipment or their key and dedicated components. Taken together, these exclusions constitute the group's interpretation of the concept of "controversial weapons".

4.1.2 Exclusion of certain counterparties

Being aware that any financing or investment granted to an entity that is involved with an excluded weapon or equipment, even on a non-dedicated basis, may constitute assistance, encouragement or incitement, the Group does not wish to enter into direct relations with counterparties involved in excluded weapons and equipment. Consequently, the Group also excludes the direct supply of products or services to entities involved in the development, manufacture, production, acquisition, storage, commercialisation, transfer, disposal, import, export, trading, brokering, transfer and use of the weapons and equipment excluded in point 4.1.1 as well as their key and dedicated components, including any investment in market instruments issued by companies that would be excluded under the previous point.

The only exception to these exclusions concerns transactions and businesses that are involved in the neutralisation, destruction, or storage of excluded weapons and equipment for their eventual neutralisation or for safety purposes, as well as transactions that are potentially subject to a specific exemption linked to a United Nations Security Council resolution or linked to the implementation of an arms control treaty.

4.1.3 Exclusion of certain transactions

In order to control the risks related to misappropriation, trafficking, corruption, proliferation, the facilitation of terrorism and organised crime, and to ensure compliance with international sanctions, the Group also excludes transactions where:

- it would be impossible to unambiguously identify all of the involved counterparties,
- it would be impossible to identify all the geographical stages of the shipping,
- a non-state buyer would be involved in the acquisition of goods exported from a state that has not signed the Arms Trade Treaty,
- the destination country is the subject of an applicable embargo regime decided upon by France, the United Nations Security Council, or the European Union.

4.2 Assessment of risk profiles

In addition to these exclusions, Group entities shall assess the risk profile of assets, customers, direct counterparties, and the final destination of the transaction.

4.2.1 Clients

Group entities:

- determine, at the start of the relationship or at the occasion of relationship reviews, whether the policy applies to any customer or prospect and whether an exclusion should be applied,
- assess the customers' and prospects' sensitivity with regards to the policy. The elements that are notably taken into account include any convictions for non-compliance with embargoes and international sanctions, acts of corruption, illegal acquisitions of interest, misappropriation of funds, the types of economic activity, the sensitivity of the countries in which the company operates, and the destination countries in the case of exports.

4.2.2 Transactions

Group entities assess the sensitivity of each transaction covered by the policy according to:

- the sensitivity of the underlying security. The group takes particular account of the increased risk of misappropriation related to small arms and small-calibre weapons, explosives and ammunition, and dual-use goods,
- the risk of corruption and the misappropriation of public and private funds, with particular attention paid to financial intermediaries, offsetting mechanisms, and unnecessarily complex financial arrangements,
- the control criteria applied by the exporting country, with a preference for States that have signed the Arms Trade Treaty and/or that apply criteria that is compatible with the EU Council position 2008/944/PESC,
- the sensitivity of the final destination, particularly with regard to possible active conflicts, risks of serious violations of international humanitarian law or flagrant violations of human rights, as well as any other relevant criteria as defined by European treaties and common positions.

This assessment is based on information provided by the involved counterparties and by accessing open sources of information. In cases where national secrecy protection mechanisms apply, the Group requests that the concerned counterparty provides a written compliance undertaking.

Group entities may have to refuse certain transactions as a result of this assessment, even if the exclusion criteria defined in 4.1 do not apply.

5. Implementation mechanisms

The Group can call on external experts to analyse the companies, equipment, and destinations covered by the policy.

The Group's entities have internal procedures for applying this policy, in accordance with its internal governance mechanisms.

6. Transparency and dialogue

This policy is a public document. The Group informs its main stakeholders of its content and publishes it on its website. A copy of this policy will be systematically provided to prospects and customers of the group when the relationship is established or updated.

This policy may be periodically revised by the Group in the light of changing international circumstances, applicable regulations, and best practices.

The Group welcomes any constructive comments on this policy.

7. Glossary

"Firearms": [The United Nations protocol](#) defines them as "any portable barrelled weapon that expels, is designed to expel or may be readily converted to expel a shot, bullet or projectile by the action of an explosive, excluding antique firearms or their replicas".

"Small arms and small-calibre weapons": [The United Nations international tracing tool](#) distinguishes between:

- "*Small arms*" are, generally speaking, weapons used by a single person. These include revolvers, self-loading pistols, rifles and carbines, machine guns, assault rifles, and light automatic weapons.

- "*Small-calibre weapons*" are, generally speaking, weapons used by two or three people working as a team, although some can be carried or handled individually. This category includes, in particular, heavy machine guns, detachable and mounted portable grenade launchers, portable anti-aircraft and anti-tank guns, recoilless rifles, portable anti-tank missile launchers and rocket launchers, portable anti-aircraft missile launchers and mortars with a calibre of less than 100 millimetres.

"Weapons for hunting or shooting sports": weapons (revolvers, pistols, rifles, shotguns) for civilian, sporting, or hunting use. Their legal definition (technical specifications) varies from one State or geographical entity to another. The Group has decided that they must not include an automatic ("burst") firing capacity.

"Dual-use goods": Dual-use goods and technologies are products and technologies, including software, initially designed for civilian use and liable to be misappropriated by their user for military, terrorist, or human rights abuse purposes. Within the European Union, ten categories of goods are considered to be sensitive or strategic because of their potential military applications should they be diverted from their original use. The export of these goods is therefore subject to pre-export checks. The key points of attention are the origin of the goods, the exporter, the use of the goods and the recipient, and the end user.

"Key, dedicated component": an essential component of a piece of equipment or a weapon system that is specific to it. Products for everyday use (screws, paint, ordinary industrial consumables, etc.) are therefore not affected, nor are non-dedicated systems and vectors (lorries, missiles, aircraft, etc.).

"Law enforcement equipment": All dedicated equipment intended for law enforcement agencies that can be used in law enforcement operations. This includes non-lethal weapons, individual and collective protective equipment, non-lethal gases and specially protected vehicles.

"ATT": the Arms Trade Treaty is a United Nations treaty on the international trade in conventional arms. It was adopted by the UN General Assembly on 2 April 2013; following its signature by 130 states and its ratification by 61, it entered into force on 24 December 2014.