

Sector policy - DEFENCE & SECURITY SECTOR

Preamble

Crédit Mutuel Alliance Fédérale, which is a company with “Entreprise à mission” status, wants to work towards a fairer and more sustainable society. To this end, the group wishes to strictly monitor operations in sensitive sectors involving social and environmental risks. Being concerned about taking these issues into account responsibly, the group has undertaken to define sector policies aimed at delimiting the scope of action and establishing criteria and principles to be observed during the performance of its activities and thus contributing to the ecological transformation and social progress.

The measures stemming from these policies apply to the entire group, subject to compliance with the legal and regulatory provisions applicable to each entity.

These measures may be revised each time the group deems it necessary.

This Defence & Security sector policy falls under the group’s Corporate and Social Responsibility Policy.

In addition to complying with national and international obligations and legislation in force, Crédit Mutuel Alliance Fédérale, a partner for Defence & Security companies, has decided to establish additional rules to define the intervention framework for transactions in this sector.

The group wishes to support companies in this sector responsibly with particular attention paid to respecting human rights and fundamental freedoms.

This policy acknowledges:

- the existence of conventions, international treaties, regional agreements, as well as national regulations specific to the arms industry,
- the legitimate security and defence needs of States,
- the sensitive nature of certain weapon categories,
- the signature of international treaties on controversial weapons, unconventional weapons and weapons of mass destruction (WMD),
- the good practices of defence players, members of registered professional associations such as the ASD, AIA, ORSE, and IFBEC.

1. Definition and scope of application

The Defence & Security sector comprises any counterparty involved in the Defence or Security sector, providing good or services used for military, defence or policing purposes or dual-use equipment that could also be used in the civil segment.

The scope of application of this Sector Policy covers:

- all banking and financing transactions provided by the group’s entities (including subsidiaries and branches

and in compliance with standards applicable to each country) to clients directly or indirectly involved in the Defence & Security sector;

- proprietary or third-party asset management (excepting index management) of shares in companies in the Defence & Security sector.

Crédit Mutuel Alliance Fédérale shall refrain from providing banking and financial services if there is insufficient knowledge of the purpose of the transaction (KYT), the client and its counterparties (KYC) and/or the country concerned (sensitive country or not) with regard to the application of internal rules.

Moreover, the group undertakes not to systematize its opinions, no transaction being identical to the previous one, and it will pay particular attention to the corporate social responsibility developed by its customers and aligned with its commitments and mutual values especially during banking service and financial transactions.

2. Exclusions: controversial and non-conventional weapons, and weapons of mass destruction

Definitions

Controversial weapons: These include anti-personnel landmines and cluster munitions, which are subject to very strict international and national regulations.

2.1 Anti-personnel landmines

Many countries, including France, have signed the Ottawa Convention, which became effective on 1 March 1999, banning the use, development, production, purchase, storage and transfer of anti-personnel mines.

According to the Ottawa Convention, anti-personnel mine means “a mine designed to be exploded by the presence, proximity or contact of a person and

intended to incapacitate, injure or kill one or more persons.”

2.2 Cluster munitions

The Oslo Convention, an international instrument for fighting against cluster bombs, was adopted by 94 countries, including France, in 2008 and it became effective on August 1, 2010. The said convention bans the use, production, storage and transfer of all cluster munitions.

The Oslo Convention defines cluster munitions as a conventional munition that is designed to disperse or release explosive sub-munitions.

At a national level, France adopted national implementing law No. 2010-819 promulgated on 20 July 2010.

2.3 Unconventional weapons and weapons of mass destruction (WMD) subject to national or international regulation

The following types of weapons are concerned:

- nuclear weapons (the Treaty on the Non-Proliferation of Nuclear Weapons, which became effective on 5 March 1970);
- biological and toxic weapons (the Biological and Toxic Weapons Convention, which became effective on 26 March 1975),
- chemical weapons (the Chemical Weapons Convention, which became effective on 29 April 1997),
- and delivery systems for weapons of mass destruction (systems capable of delivering WMDs), as defined by the French regulation.

At a national level, France adopted Law No. 2011-266 of 14 March 2011 on the Fight against the Proliferation of Weapons of Mass Destruction and their Delivery.

3. Conventional weapons: weapons authorised under conditions

These include weapons, military equipment and their components which do not correspond to the aforementioned types of weapons (controversial weapons, unconventional weapons and weapons of mass destruction) subject to authorisation from competent national and/or international authorities.

Crédit Mutuel Alliance Fédérale acknowledges the following main international and European principles:

- the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-use Items, which became effective in September 1996.
- the UN Programme of Action to Prevent, Combat and Eradicate the Illicit Trade in SALW in all its aspects.
- the Protocol against the illicit manufacturing of and trafficking in firearms, their parts, components and ammunition, additional to the UN Convention against cross-border organized crime.
- the European Union Code of Conduct regarding the export of weapons, dated 1998, and the EU

Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment.

- Council Regulation (EC) No. 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items, as amended.
- the OECD Convention on corruption, which became effective on 15 February 1999.

Principles of exclusion:

In all cases, the group shall not take part in transactions aimed at financing, long or short term investment, or the provision of products or services to:

- French counterparties involved in the trade outside France of weapons mentioned in paragraph 2,
- international counterparties involved in the development, manufacturing, production, purchase, storage, supply, disposal of, import, export, trade, brokering, transfer and use of weapons mentioned in paragraph 2.

4. Implementing mechanism

Principle:

Crédit Mutuel Alliance Fédérale shall refrain from financing any banking service and/or financial transactions involving:

- the sale of weapons or military or security equipment to non-State entities outside Member States of the EU and/or NATO, unless these exports have been duly authorised by national competent authorities.
- transactions related to terrorism or money-laundering.

Exceptions:

Crédit Mutuel Alliance Fédérale may take part in transactions related to military and security equipment that are duly authorized, pursuant to applicable national and international regulations in force and that do not fall under the categories listed in the exclusion section as long as:

- the weapons exporting companies or groups are domiciled in a Member State of the European Union or a country similar to the intra-Community regime in terms of weapons transfer;
- they fulfil our client eligibility rules; and
- they have obtained the necessary authorizations from the competent authorities.

For any other country outside the European Union or a country similar to the intra-Community regime in terms of weapons transfer, the group shall ensure that the export of said military equipment has been authorized by the competent authorities and does not contravene French regulations.

Specific case:

Crédit Mutuel Alliance Fédérale excludes the financing of exports of military goods directly or indirectly intended for countries subject to military embargo or to conflict zones, pursuant to sanctions imposed by French, European and international authorities save for exemption authorised by the competent authorities and/or pursuant to regulations in force within the European Union.

As a result, the group reinforces the study and analysis of goods and services or banking transactions, particularly to:

- conflict zones;
- countries under international financial sanctions.

The group is also vigilant about knowledge of counterparties involved in the structure of the transaction, in addition to respecting the internal KYT.

Each case will also be examined with regard to:

- countries linked to the production and trafficking of drugs,
- business climate indices (INSEE, COFACE),
- countries where there have been serious violations of human rights and fundamental freedoms.