

Defense & Security sector policy



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1. INTRODUCTION

In the frame of its Corporate Social Responsibility policy, and as a signatory of the Principles for Responsible Banking, Societe Generale intends to take into account the environmental, social (E&S) and governance issues associated with all its activities, to better control their impact and promote good practices.

The Group published [E&S general principles](#) which define the overall framework of its E&S risk management system for the responsible conduct of its banking and financial activities. Within this framework, transversal statements addressing issues common to all sectors have been developed, as well as sector policies where Societe Generale looks more specifically into certain sectors identified as sensitive from an E&S standpoint and in which it plays an active role.

The Defense & Security sector has been identified as one such sector.

Societe Generale welcomes the improvements in international law concerning the regulation of arms trade, and in particular the adoption of the Arms Trade Treaty which was negotiated under the aegis of the United Nations. As an international financial institution, Societe Generale wishes to promote the highest standards of international law. It remains attentive to the evolution of national and multilateral arms control initiatives.

Societe Generale is paying close attention to the challenges of international arms trade, including the risks of corruption and illegal taking of interests, arms diversion and trafficking, weapons of mass destruction proliferation, fuelling regional conflicts, disintegration of States, violations of human rights, dissemination of dual-use goods, fuelling criminal networks and terrorism. As such, Societe Generale is in line with the Common Position 2008/944 of the European Union Council which defines common rules relating to the export of military technology and equipment.

Societe Generale acknowledges and respects the right of sovereign States to ensure their internal security and defense through the production, possession, exchange, and use of legitimate means in the light of international law, as well as recognizing the need for participation in regional and global collective security mechanisms.

It is within this framework that Societe Generale provides a range of banking and financial products and services to public and private players in the Defense & Security sector.

2. SCOPE

2.1. Geographical scope

The Defense & Security sector policy is applicable worldwide.

2.2. Scope of the Group's activities

This sector policy applies to Societe Generale and to all consolidated companies over which Societe Generale exercises exclusive control (together, the "Group").

It applies to the following products and services:

- All banking and financial operations, products and services carried out by the Group,
- Services provided by the entities of the Group managing assets for own account or on behalf of third parties and market instruments deriving from the Defense and Security sector.
- Investment activities of the Group's insurance entities.

2.3. Scope of sector activities

This sector policy covers:

- the following activities: The development, manufacture, acquisition, integration, storage, retention, supply, disposal, import, export, re-export, trade, brokerage, transfer or use of weapons or defense and security equipment, including small arms and light weapons, explosives, and ammunition for civil and military use.
- as well as client companies¹ or other counterparties² involved in these activities.

The specific issue of nuclear non-proliferation is also addressed in Societe Generale's Civil Nuclear Power sector policy.

3. E&S SECTOR-SPECIFIC STANDARDS

The Group requests its clients to comply at a minimum with the E&S laws and regulations of each country in which they operate, while encouraging them to implement the Group's E&S standards.

In particular, the Group expects its counterparties and customers to comply with the obligations to obtain export or re-export licenses and the international conventions ratified by the States in which they operate, as well as all regulations applicable to the trade of arms, security equipment and services and dual-use goods.

The Group recognizes that the legitimate concerns of civil society stakeholders have played an important role in the fact that international regulation contributes to improving arms trade control.

The Group recognises and supports this move towards greater control and transparency. International conventions, regional agreements and embargoes have been developed to better address the social impacts resulting from the sector activities.

4. IMPLEMENTATION PROCESS

While it is incumbent on the corporates the Group is linked with to manage the E&S risks associated with their operations and to comply with the applicable laws and regulations, it is important for the Group to evaluate the consistency of their activities with the E&S commitments of the Group.

The [E&S general principles](#) set out the main features and implementation processes of the Group's E&S risk management system. The Group's decisions are based on public information or information made available by the client or from third-party data providers. The Group shall make its reasonable endeavors to ensure the quality and reliability of this information but accepts no liability whatsoever in connection with any such information.

The following application criteria have been defined.

The **E&S exclusion criteria** are intended to exclude certain types of corporates, dedicated transactions or services, or financial products from the Group's activities.

¹ For the purposes of this policy, the criteria applicable to corporate clients are also applicable to Group prospects.

² For the purposes of this policy, a "counterparty" is considered to be any natural or legal person mentioned in a contract binding Société Générale, even if the Group does not provide a product or service to such counterparty.

The **E&S priority evaluation criteria** target priority risk factors for which a specific and systematic answer is requested as part of the evaluation process. If the evaluation shows that specific risks are attached to the client or the transaction, a positive evolution from the current practices is expected in a reasonable timeframe and can be formalized through action plans or contract clauses.

The Group is committed to implementing a process to manage the specific risks arising from the nature of certain weapons and equipment, the counterparties involved in the financing and transactions and the final destination of arms use. The Group implements enhanced due diligence procedures, with the primary concern being the compliance with national legislation, United Nations and European Union treaties, embargoes, sanctions and resolutions.

The results of the evaluation based on different criteria will provide evidence for the decision-making process to the Group. The Group will work with clients within the implementation scope of the policy who meet or aim at meeting (as regards priority criteria) the applicable E&S criteria.

During the E&S review of the Defense and Security sector clients, if a client is found to be failing a criterion of the Policy, a dialogue will be engaged with the client aiming at finding ways to improve the situation through a time bound process.

Any deviation from this policy must be decided by the Group Responsible Commitment Committee³.

The Group may refuse to provide banking or financial products or services to certain corporates or refuse to be involved in certain transactions as a result of this evaluation, even if the exclusion criteria defined in this sector policy are not applicable. The Group may also require additional actions or engage in an additional due diligence process before concluding on the acceptability of a client or a transaction.

5. APPLICATION CRITERIA

Based on the analysis of framework described in Section 4. and of the best practices of multilaterals and financial institutions, the Group has defined the following criteria which are incorporated into its decision-making process when considering provision of banking and financial services in the Defense & Security sector mentioned in section 2.2.

5.1. Definition of controversial weapons and equipment

The Group defines a certain number of weapons and equipment because of their prohibition by international conventions or by European Union regulations. The following are concerned:

- Cluster munitions as defined by the 2008 Oslo Convention;
- Anti-personnel mines as defined by the 1997 Ottawa Convention;
- Biological or toxin weapons as defined by the 1972 Convention;
- Chemical weapons as defined by the 1993 Paris Convention;
- Nuclear weapons programmes of non-nuclear-weapon States under the 1970 Non-Proliferation Treaty;

³ The Group's Responsible Commitment Committee examines and arbitrates complex transaction/customer cases with a high risk in terms of the Group's reputation or non-alignment with the Group's sector policies and more generally with the Group's standards in terms of Corporate Social Responsibility or ethics.

- Depleted uranium ammunition, as prohibited by the Belgian law of 1999;
- Equipment having "no practical use other than the imposition of death penalty, torture or other cruel, inhuman or degrading treatment or punishment", as defined by Regulation (EU) 2019/125 of the European Parliament and of the Council of the European Union.
- As well as key and dedicated components of all weapons and equipment mentioned above.

5.2. Clients criteria

Exclusion criteria

The Group will not execute any transactions or provide any banking or financial products or services for the direct benefit of:

- Any company involved in the development, manufacture, acquisition, integration, storage, retention, supply, disposal, import, export, re-export, trade, brokerage, transfer or use of controversial weapons and equipment as defined in point 5.1. These entities are called "directly excluded entities".
- Any company with capital ties to the "directly excluded entities" as described below, namely:
 - Any company directly or indirectly 50% or more owned by a directly excluded company.
 - Any company that directly own 50% or more of the capital of a directly excluded company.

Client companies involved in the neutralisation, destruction or storage⁴ for the purpose of destroying controversial weapons and equipment as defined in section 5.1 are not concerned by these exclusions.

Priority criteria

In addition, when conducting a corporate E&S assessment of a client company involved in the Defense and Security sector, the Group will assess its sensitivity, in particular when (i) entering into a relationship (onboarding), (ii) during periodic reviews of the relationship and (iii) during the analysis of any new transactions for clients affected by internal restrictions (in particular anti-money laundering and embargoes), particularly with regard to:

- potential convictions by a national court or report by the United Nations, within the past 3 years relating to a non-compliance with national legislation on arms trade or a direct violation of an embargo or an international sanctions regime on weapons and equipment covered by this policy.
- potential convictions by a national court within the last 3 years for acts of corruption, illegal taking of interest or misappropriation of public funds in connection with transactions relating to weapons and equipment covered by this policy.
- potential client's economic activity in Comprehensively Sanctioned Territories, even if it is not the subject of the relationship with Societe Generale.

⁴ with regard to depleted uranium ammunition, also on a case-by-case basis the storage for national security reasons

5.3. Dedicated transactions, products and services⁵ criteria

Exclusion criteria

The Group will not execute transactions or provide banking or financial products and services when the underlying asset is composed of the controversial weapons and equipment defined in Section 5.1., with the exception of transactions, products and services involved in the neutralisation, destruction, or storage⁶ for the purpose of destroying those weapons and equipment.

Similarly, the Group will not execute transactions or provide banking or financial products and services involving a counterparty excluded under the exclusion criteria in section 5.2, even if it is not our client, if this counterparty is identified in the transaction documentation (as an intermediary, supplier, subcontractor or client of the client, depending on the transaction) and that:

- The underlying is known and assessed as possibly related to controversial weapons or equipment defined in section 5.1.
- Information to ensure that the above is not the case cannot be obtained.

In order to manage the risks of arms trafficking, diversion, corruption and terrorism, the Group also excludes transactions and banking or financial products:

- For which it would be impossible to unequivocally identify all the physical and legal counterparts involved.
- Involving a private buyer and/or intermediary who would not act in a verifiable manner on behalf of a State, except for intra-community transfers⁷ defined by the European Union and transactions involving weapons strictly related to hunting, leisure and sports shooting.
- Involving an exporter located in a State that is not a signatory of the Arms Trade Treaty and for which the verification of obtaining of an end-user certificate and an export permit is impossible.
- Involving weapons or defense and security equipment destined for countries:
 - Towards which an arms trade embargo, or a sanctions regime applicable to the defense sector, has been decreed by the UN, the European Union or the OSCE.
 - In which the transaction would pose a significant risk of serious violations of international humanitarian and human rights law⁸.

Banking or financial products and services or transactions on behalf of an organisation operating under a United Nations mandate or a regional security organization recognized by the United Nations are not concerned by these exclusions.

Priority criteria

In addition, when conducting an E&S assessment of a dedicated transaction, product or service in this sector, the Group assesses:

⁵ For which the underlying (specific assets, projects or activities) is identified by the Group.

⁶ With regard to depleted uranium ammunition, also on a case-by-case basis the storage for national security reasons

⁷ With final destination in the EU

⁸ In particular countries where severe violations of children's rights are committed during conflict on the Agenda of the United Nations Security Council

- the sensitivity of the transaction depending on the underlying asset. The Group ensures that civilian explosives and small arms and light weapons benefit from the same level of vigilance as heavy weapons and military equipment.
- the sensitivity of the transaction in terms of corruption risks, with particular attention to intermediaries, offsets and financial arrangements.
- the acceptability of the transaction according to the sensitivity of the final destination (in particular countries where a conflict is actively taking place or countries participating in a declared war as per international law or an armed conflict); and in the light of the criteria defined by the common position of the Council of the European Union and by the United Nations ATT.

This assessment is based on the documentation of the products, services or transactions by the parties involved. When national secrecy protection mechanisms apply, the Group requests a written commitment of compliance from the counterparty concerned.

The Group may refuse certain customers or products, services or transactions as a result of this evaluation, even if the exclusion criteria defined in the policy are not applicable.

5.4. Asset management and investment criteria

Exclusion criteria

The Group's entities investing in assets or managing assets for their own account or on behalf of third parties exclude investments in market instruments issued by or involving companies excluded in point 5.2.

Index-linked asset management is not within the scope of this exclusion.

As regards the distribution by Societe Generale of external funds, external asset managers are encouraged to adopt the same standards.

6. DISCLOSURE AND UPDATES

This Defense & Security sector policy is applicable from the date of its publication, with exceptions for pre-existing business commitments or opportunities at an advanced stage of negotiation.

This sector policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Group and its various stakeholders. Therefore, the Group reserves the right to modify this sector policy at any time. Updated versions will be posted on the Group's website, where the E&S general principles and the transversal statements and other E&S sector policies are also available.

This sector policy has been established in French and in English. The English version is a free translation.

GLOSSARY

For the purposes of this policy, the following definitions apply:

Anti-personnel mine: a mine designed to explode as a result of the presence, proximity or contact of a person and intended to disable, injure or kill one or more persons
(Art 2 of the 1997 Ottawa Convention).

Arms Trade Treaty: an international treaty regulating the arms trade under the aegis of the United Nations. The follow-up to its instruments of ratification, which entered into force on 24 December 2014, is available on the website of the United Nations Office for Disarmament Affairs (<https://www.un.org/disarmament/fr/convarms/sur-des-commerces-des-armes/>)

Biological weapons: refers to

(1) Microbiological or other biological agents, as well as toxins whatever their origin or mode of production, of types and quantities which are not intended for prophylactic, protective or other peaceful purposes;

(2) Weapons, equipment or means of delivery intended for the use of such agents or toxins for hostile purposes or in armed conflicts.

Chemical weapons: 'Chemical weapons' means the following, taken together or separately:

(a) Toxic chemicals and their precursors, except those intended for purposes not prohibited by the 1993 Convention, as long as the types and quantities involved are compatible with such purposes;

(b) Ammunition and devices specifically designed to cause death or other damage by the toxic action of toxic chemicals defined in subparagraph (a), which would be released as a result of the use of such ammunition and devices;

(c) Any equipment specifically designed for use in direct connection with the use of ammunition and devices defined in subparagraph (b).

(Article 2 of the 1993 Paris Convention)

Cluster munitions: refers to a conventional munition designed to disperse or release explosive submunitions, each weighing less than 20 kilograms, and includes these explosive submunitions. It does not refer to:

(a) a munition or submunition designed to launch illuminating devices, smoke bombs, pyrotechnic devices or decoys, or a munition designed exclusively for air defense purposes;

(b) a munition or submunition designed to produce electrical or electronic effects;

(c) a munition which, in order to avoid indiscriminate effects on an area and the risks posed by unexploded submunitions, has all the following characteristics:

(i) each munition contains less than ten explosive submunitions;

(ii) each explosive submunition weighs more than four kilograms;

(iii) each explosive submunition is designed to detect and attack a target consisting of a single object;

(iv) each explosive submunition is equipped with an electronic self-destruction mechanism;

(v) each explosive submunition is equipped with an electronic self-deactivation device;

(Article 2 of the 2008 Oslo Convention)

Convention on Certain Conventional Weapons (CCW): officially the Convention on Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects, signed on 10 October 1980 in Geneva and entered into force on 2 December 1983. Its purpose is to prohibit or limit the use of certain weapons considered to cause "excessive or unnecessary damage to combatants or to strike indiscriminately".

Counterparties: for the purposes of this policy, a "counterparty" is any natural or legal person mentioned in a contract binding Société Générale, even if the Group does not provide a product or service to such consideration.

Defense sector: all companies and organizations having direct links with the military forces deployed by Member States of the United Nations Organisation for the defense of their territory, the protection of their population and the safeguarding of their interests or those of their allies. In the absence of a universal definition of the Sector, Société Générale adapts its internal procedures to the different national laws applicable.

Depleted uranium ammunition: inert ammunition containing depleted uranium or any other type of industrial uranium.

Intermediary: is considered as an intermediary a person who intervenes on the supply of the underlying asset before the final recipient. He is not the client, nor the exporter, nor the final recipient. This definition thus differs from the OECD definition of an intermediary, that define an intermediary as a person who acts as an effective link or intervenes between one or more counterparts to a commercial transaction.

Nuclear weapons: refers to explosive devices whose destructive capacity is based on the initiation of a chain atomic reaction.

Security Sector: all companies and organizations involved in the production, implementation, supply, trade, storage or transfer of security products or services to public or private operators. In the absence of a universal definition of the Sector, Société Générale adapts its internal procedures to the different national laws applicable.

Small arms and light weapons:

In general, "small arms" refers to individual weapons, including but not limited to revolvers and self-loading pistols; rifles and carbines; machine guns; assault rifles; and light machine guns;

"Light weapons" are generally defined as collective weapons designed for use by two or three persons, although some may be carried and used by a single person, including but not limited to: heavy machine guns; hand-held under-barrel or mounted grenade launchers; portable anti-aircraft guns; portable anti-tank guns; recoilless guns; portable anti-tank missile launchers and rocket launchers; portable anti-aircraft missile launchers; and mortars with a calibre of less than 100 mm.

(International Instrument for Identification and Traceability, UN, 2005)

Weapons: all devices designed or used to neutralize, injure or kill a living being and/or cause material destruction. Note: Devices not intended to be used as weapons are therefore not affected.

Underlying: the economic purpose of a transaction (in this case, the weapons, ammunition and equipment covered by the policy).