

## SECTOR POLICY



## DEFENSE

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## 1. INTRODUCTION

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Within the framework of its Corporate Social Responsibility policy, Societe Generale (the “Bank”) intends to take into account within its group the environmental and social (E&S) issues associated to all its activities, to better control their impact and promote good practices, with an objective of continuous improvement. The Bank thus defined E&S General Guidelines which set key standards and parameters for a responsible engagement in all its banking and financial activities. In addition to this general framework, Cross-sectorial Policies dealing with E&S issues common to all sectors are developed, as well as Sector Policies where the Bank looks more specifically into certain sectors identified as sensitive and in which it plays an active role. The Defense sector has been identified as one such sector.

Societe Generale provides a range of banking and financial services to the Defense industry. Societe Generale acknowledges and respects the right of countries to produce and use legitimate means for self-defense and to preserve internal and, if need be, international peace and security. The Bank is willing to remain a value-adding partner to its clients in this sector, while ensuring that such support is provided in a responsible and considered manner. Societe Generale recognises the importance of the risks and impacts associated with these activities and is aware in particular that:

- Arms are a key factor in facilitating, prolonging and intensifying armed conflicts;
- The misuse of arms contributes to violations of people’s economic, social and civil rights and international humanitarian law and hinders development;
- The proliferation of small arms plays a role in facilitating and intensifying terrorism and organised crime;
- Arms’ trading may often be closely linked to bribes payment, fuelling corruption.

This is why the Bank aims for the highest standards when considering the provision of financial services to the Defense industry.

## 2. COMMITMENT

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Societe Generale is committed to incorporating in its decision making processes the review of the social impacts potentially associated with the activities of its clients. The Bank will work with clients who meet or aim at meeting its sustainability standards. Societe Generale will take appropriate measures if these standards are not met, or if the client no longer aims at meeting them.

This Sector Policy may evolve in time, according to legislative or regulatory evolutions and as a result of the discussions between the Bank and its various stakeholders.

## 3. RISK ASSESSMENT

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While it is incumbent on the Bank’s clients to manage the risks associated with their own operations, it is important to Societe Generale to evaluate the consistency of its engagements with clients against the E&S principles of the Bank. The Defense sector is under particular scrutiny considering the potential for misuse of its products.

## 4. SECTOR-SPECIFIC STANDARDS AND CRITERIA

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Societe Generale being active worldwide, the laws and regulations its clients have to comply with vary from one country to another or one region to another. At a minimum, Societe Generale requests them to comply with the laws and regulations of each relevant country, while encouraging them to apply the Bank's standards.

Legitimate concerns from civil society stakeholders have induced international regulations to improve control on arms trade. The Bank recognises and supports this move towards greater control and transparency. International conventions, regional agreements<sup>1</sup> and embargoes have been developed to better address the social impacts resulting from the sector activities.

Based on the analysis of this framework and of best practices of multilaterals and financial institutions, Societe Generale has defined the following criteria which are incorporated into its decision-making process when considering provision of banking and financial services in the Defense sector.

Societe Generale will not knowingly provide financial services:

- to companies, parents company or subsidiaries of the companies involved in the development, manufacture, production, acquisition, storage, retention, offering for sale, sale, import, export, trade, brokerage, transfer and use of anti-personnel mines, cluster bombs or their key components; as regards parent companies and subsidiaries, their effective responsibility in these operations will be taken into account;
- to dedicated activities of the companies involved in the development, manufacture, retention, storage, acquisition, sale, import, export, trade, brokerage, transfer and transportation of highly controversial weapons such as, depleted uranium munitions, as well as biological, chemical, nuclear or radiological weapons<sup>2</sup>;
- in case of arms transfer<sup>3</sup>:
  - to exporting manufacturers or service providers incorporated and domiciled in a country with a weak regulatory framework, market scrutiny, or poor governance and transparency<sup>4</sup>;
  - to agents or middlemen;
  - for exports where the validity of the export licence and end-user certificate where relevant cannot be checked or where the export licence does not comply with international regulations and the European Code of Conduct on Arms Export;
  - for delivery to contested areas<sup>5</sup>.

Together with the criteria defined in the E&S General Guidelines and in the Cross-sectorial Policies, these criteria provide the E&S framework used by Societe Generale to consider its involvement in transactions in this sector.

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<sup>1</sup> See Appendix

<sup>2</sup> An exception is made for nuclear weapons manufacturers supplying exclusively those States which have ratified the Non-Proliferation Treaty.

<sup>3</sup> Arms are defined here as in the [Common Military list of the European Union](#), in particular with respect to dual-use equipments.

<sup>4</sup> The list of such countries is done and maintained by the Bank taking into consideration the international conventions and treaties related to arms control that the country has ratified in particular the Wassenaar Arrangement which establishes a multilateral exports control regime.

<sup>5</sup> An area where there is an international or non-international armed conflict, including but not limited to countries that engage in civil/regional/international war, countries that are under embargoes, military regime.

## 5. SCOPE

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The scope of this Sector Policy covers:

- all of the banking and financial services provided by the Societe Generale Group entities to its clients<sup>6</sup> which are directly or indirectly involved in the Defense sector ;
- active asset management (other than index-based management), for own account or third parties, in securities of companies<sup>6</sup> involved in the Defense sector.

Is considered involved in the Defense sector any client or company that intervenes in the value chain of arms, which provides goods and services with a military, defense or arm related purpose, including dual-use equipment that may be commonly used for civil purposes.

Within the framework of external funds distribution, asset managers are encouraged to adopt the same standards.

The specific issue of nuclear non-proliferation is also considered in Societe Generale Civil Nuclear Power Sector Policy.

## 6. IMPLEMENTATION PROCESS

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As established in the E&S General Guidelines, Societe Generale integrates the assessment of potential E&S risks and impacts into its decision-making processes both at the client assessment level and, where necessary, at the transaction assessment level.

Societe Generale decisions are based on the information made available to the Bank. Societe Generale puts all its reasonable endeavours to ensure the quality and reliability of this information.

## 7. SCHEDULE – REVISIONS

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This Defense Sector Policy is applicable from the date of its publication to all services provided therefrom.

Procedures will be put in place progressively, as necessary, throughout the Bank to ensure full integration of these requirements in the usual decision processes. Review mechanisms will allow for continuous improvement.

Societe Generale reserves the right to modify this Sector Policy at any time. This document cannot be interpreted as a contractual commitment.

Updated versions will be posted on [Societe Generale's website](#), where the E&S General Guidelines and all published Cross-sectorial and Sector Policies are also available.

This Sector Policy has been established in French, versions in other languages are free translations.

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<sup>6</sup> As well as their subsidiaries or parent company

## APPENDIX: INTERNATIONAL LAWS AND CONVENTIONS AND REGIONAL AGREEMENTS

1. The 1925 Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or other Gases and Bacteriological Methods of Warfare.
2. The 1968 Treaty on the Non-Proliferation of Nuclear Weapons.
3. The 1972 Convention on the Prohibition of the Development, Production and stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction.
4. The 1977 Convention on the Prohibition of Military or any Hostile Use of Environmental Modification Techniques.
5. The 1981 UN 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.
6. The 1993 Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction.
7. The 1996 Comprehensive Nuclear-Test-Ban Treaty.
8. The 1996 [Wassenaar Arrangement](#) on Export Controls for Conventional Arms and Dual-Use Goods and Technologies.
9. The 1997 UN Ottawa Treaty (Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction).
10. The 1998 European Union Code of Conduct on Arms Export and the 2008 EU Common position on exports of Military technology and equipment.
11. The November 2000 Document on Small Arms and Light Weapons adopted by the Organisation for Security and Co-operation in Europe.
12. The 9-20 July 2001 Programme of Action to prevent, combat and eradicate the illicit trade in small arms and light weapons in all its aspects from the United Nations
13. The 2008 Convention on Cluster Munitions.