

**Internal Memo -
Procedures
NP No. 2010-13
30 November 2010**

Re:	Framework for dealing with and excluding counterparties with ties to the arms sector
Issued by	Group Risk Management and Permanent Controls (DRG) / Compliance (DDC)
Summary	This procedural 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.
Cancels and replaces	NOP No. 2008-15
Scope of application	Crédit Agricole S.A. and its subsidiaries
Publication and dissemination	Crédit Agricole S.A. and its subsidiaries Intranet French version available

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 supersedes Internal Memo NOP No. 2008-15.

Preamble

It recognises:

- the right of countries to defend themselves in accordance with international humanitarian law,
- the existence of rules, agreements and international bodies specific to the arms industry,
- the economic role played by the arms industry,
- the sensitive nature of certain categories of weapons,
- the problems posed by certain destination countries or exporting countries,
- the difficulty of reaching a precise definition of "conflict zones",
- 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 production, use, storage, sale and transfer of anti-personnel landmines (APL) and cluster bombs (CB) are prohibited by the Ottawa and Oslo treaties signed by numerous countries.

In accordance with these treaties, investments on the bank's own account or on behalf of third parties (apart from indexed investing), financing of any sort, and services (insurance, mergers & acquisitions, advisory, etc.) are forbidden for counterparties involved in the production, storage or sale of APLs or CBs. The list of prohibited counterparties is kept up to date by the Group Risk Management and Permanent Controls Division, and updated at the request of General Secretariat/Sustainable Development Unit 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 Division (under the internal regulation heading) and the Compliance Division. Any investments/holdings in third parties appearing on the list must be divested within three months of the list's revision date. Existing financing arrangements involving prohibited companies must be managed with the aim of ending them, unless the counterparty has committed in writing to managing its own activities with the aim of ending them within a reasonable period of time and approval has been obtained from the General Secretariat/Sustainable Development Unit of Crédit Agricole S.A.

II. SENSITIVE WEAPONS

Financing the manufacture, use or possession of inert ammunition and armour containing depleted uranium or any other type of industrial uranium is forbidden in at least one jurisdiction (Belgium). The proliferation of nuclear, biological and chemical weapons and weapons of mass destruction is a very sensitive issue and may be governed by international agreements.

Any investment/holding, financing or provision of services (insurance, merger & acquisition, advisory, etc.) involving companies specialising in these types of weapons 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 Unit of Crédit Agricole S.A. This responsibility may be delegated if need be to an ad hoc social and environmental risk assessment body (i.e. 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.

III. OTHER WEAPONS AND DEFENCE EQUIPMENT

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

Investing in, financing and providing services to (insurance, mergers & acquisitions, advisory, etc.) arms companies and groups are authorised for companies and groups based in an OECD country.

Provided they do not infringe the above limitations, financing the following international trade transactions is authorised:

- exports from any country to the European Union,
- exports from any 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 Compliance Division,
- exports of small arms and ammunition to a public entity or equivalent in a country not on any of the following lists: countries under EU, OFAC or UN embargo; countries under surveillance; countries that present a substantial level of risk associated with human rights and conflict regions,
- exports of arms not included in the small arms and ammunition category to a public entity or equivalent in a country not on the list of countries under EU, OFAC or UN embargo. If the country is on the list of countries under surveillance or the list of countries that present a moderate/high level of risk associated with human rights and conflict regions, approval must be obtained from the Compliance Division.

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 local law.

The list of countries under surveillance and/or under sanction is kept by the Compliance Division of Crédit Agricole S.A. (DDC intranet), and the list of countries representing a moderate/high level of risk associated with human rights and conflict regions is kept by the General Secretariat/Sustainable Development Unit of Crédit Agricole S.A.

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 Division (Business Monitoring Unit), the Compliance Division correspondent and the Sustainable Development Unit of Crédit Agricole S.A.

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 division of his or her entity to comply with this Memo.

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

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