

ESG Policy

DEFENSE & SECURITY



GROUPE BPCE

TABLE OF CONTENTS

- 1** Introduction
- 2** Scope of the policy
- 3** Sector-specific principles and criteria
- 4** Support for sovereignty issues
- 5** Policy application date
- 6** Implementation and decision-making process
- 7** Legal notice
- 8** Glossary

POLICY APPLICABLE TO THE DEFENSE & SECURITY INDUSTRY

Disclaimer: This document is an English translation of the official version of the Policy in French. In case of a difference between the two versions, the French version shall prevail.

1 - INTRODUCTION

In a complex geopolitical environment and in the face of evolving threats, defense and security issues remain at the heart of the strategic challenges faced by France and Europe. The European strategic autonomy and national sovereignties depend in particular on an innovative and well-functioning Defense Technological and Industrial Base (DTIB).

Groupe BPCE, fully aware of these issues, reasserts its support to companies in this sector, particularly French and European DTIB companies, which often operate in both the civil and military fields.

Groupe BPCE aims to position itself as a responsible actor in this sector, supporting sovereignty issues and ensuring a rigorous management of ESG risks, notably for companies exporting to sensitive regions.

Groupe BPCE relies on the main international treaties ratified and the laws enacted by France in relation to disarmament, arms control and non-proliferation, as well as on the Council Common Position 2008/944/CFSP of 8 December 2008 defining common rules governing control of exports of military technology and equipment.

This ESG policy (hereafter referred to as the "Policy") formalizes the approach and commitment of Groupe BPCE toward the defense & security industry.

2 - SCOPE OF APPLICATION

2.1 - Geographical and sectoral scope

The Policy applies worldwide to all of Groupe BPCE's activities listed below.

It applies to companies involved in the development, manufacture, production, acquisition, storage, preservation, supply, sale, import, export, trade, brokerage, transfer and use of Defense and Security Equipment, as well as those providing services associated with such equipment¹.

It also applies to transactions related to the trade of Defense and Security Equipment (and associated services), whether new or used, in the context of paid or free-of-charge transfers, by public or private actors.

2.2 - Scope for Groupe BPCE and its banking and financing activities

The Policy applies to the banking and financial activities of the Banques Populaires and Caisses d'Épargne, BPCE SA, and Natixis SA along with their respective direct subsidiaries over which they have exclusive control².

The Policy applies to lending activities, capital markets activities (debt and equity), guarantees and advisory services (including mergers & acquisitions activities), as well as to investments related to liquidity reserves.

The Policy does not apply to third-party portfolio management services and to collective investment products and undertakings. For these activities, BPCE Assurances and certain investment managers subsidiaries of Natixis Investment Managers have their own ESG policies related to the defense and security industry which they publish on their respective websites.

The Policy does not apply to Groupe BPCE's insurance activities or to subsidiaries of Natixis whose activities are focused on mergers & acquisitions.

3 - SECTOR-SPECIFIC PRINCIPLES AND CRITERIA

3.1 - Criteria applicable to the provision of products and services to companies and trade transactions

3.1.1 - Excluded equipment

Groupe BPCE excludes the types of equipment listed below, which are prohibited by international conventions ratified by France or by European Union regulations:

- 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 of non-nuclear-weapon States or non-signatories of the 1968 Non-Proliferation Treaty ;
- Non-detectable fragments weapons and blinding laser weapons covered by Protocols I and IV to the 1980 Convention on Certain Conventional Weapons ;
- Equipment having *"no practical use other than for the purpose of capital punishment, torture and other cruel, inhuman or degrading treatment or punishment"* as defined by Regulation 2019/125 of the European Parliament and of the Council dated January 16, 2019.

¹. Defense and Security Equipment, as well as related services, are defined in the glossary.

². For further details, please refer to the Groupe BPCE's universal registration document: <https://www.groupebpce.com/en/investors/results-and-publications/universal-registration-document-registration-document/>

3.1.2 - Criteria applicable to companies

3.1.2.1 - Exclusion criteria

Groupe BPCE will not provide any new banking or financial products or services to any company involved in the development, manufacture, production, acquisition, storage, preservation, supply, sale, import, export, trade, brokerage, transfer or use of excluded equipment (as defined in section 3.1.1 above).

The only exception to this exclusion is related to the neutralization, destruction or storage of excluded equipment for neutralization or safety purposes.

3.1.2.2 - Evaluation criteria

For companies that are not subject to the exclusions mentioned above, Groupe BPCE pays particular attention to the type of equipment they sell, their country of incorporation, and the main markets in which they operate.

To carry out this additional assessment, Groupe BPCE relies on various sources of information and favors direct dialogue with the relevant companies. This analysis is integrated into the evaluation of clients and prospects, and its frequency is adjusted according to the level of ESG risk associated with each client.

Following this assessment, Groupe BPCE may decide not to enter into a relationship with a prospect, or not to renew its commitments with an existing client, if the risks identified are deemed too significant.

3.1.3 - Criteria applicable to trade transactions

3.1.3.1 - Exclusion criteria

Groupe BPCE will not participate in any transactions relating to the trade of Defense and Security Equipment:

- Related to excluded equipment (as defined in section 3.1.1).
- Or for which:
 - It is impossible to identify the counterparties involved.
 - The country of destination is subject to an applicable embargo on Defense and Security Equipment imposed by the United Nations Security Council or the European Union

3.1.3.2 - Evaluation criteria

For transactions that are not subject to the exclusions mentioned above, Groupe BPCE pays particular attention to the associated ESG risks, considering notably the following elements:

- Sensitivity of the underlying equipment and, in particular, the increased risks associated with small arms and light weapons, as well as explosives and ammunition ;
- Sensitivity of the final destination, particularly through the existence of armed conflicts and risks of serious violations of human rights and international humanitarian law.

Following this evaluation, Groupe BPCE may decide not to carry out a transaction if the risks identified are deemed too significant.

3.2 - Criteria applicable to the management of liquidity reserves

For investments made as part of the management of liquidity reserves, Groupe BPCE applies the exclusion criteria mentioned in section 3.1.2 at the level of the issuing entity.

4 - SUPPORT FOR SOVEREIGNTY ISSUES

As part of its VISION 2030 strategic plan, Groupe BPCE aims to become a key player in fostering territorial competitiveness by supporting local businesses and strategic sectors. In a complex geopolitical environment, characterized by the intensification of sovereignty matters and the need to maintain and relocate industrial production, Groupe BPCE reaffirms its commitment to supporting the development of the defense & security industry, particularly those companies contributing to the French and European Defense Technological and Industrial Base (DTIB).

This commitment is part of a responsible approach to managing the ESG risks specific to this sector, which is defined in this Policy.

By leveraging its companies, notably the Banques Populaires, the Caisses d'Épargne and Natixis, Groupe BPCE contributes significantly to the financing of the defense industry in France and is committed to further intensifying its support to DTIB companies, from major industrial groups to small and medium enterprises (SMEs) and intermediate-sized enterprises (ISEs). To this end, Groupe BPCE is rolling out tailored solutions and offerings, both in terms of financing, notably for cash flow needs, and of equity investments in these companies.

5 - POLICY APPLICATION DATE

The Policy applies to all corporate clients and new transactions from its date of publication. Existing contractual commitments that do not comply with this Policy will not be renewed upon their expiration.

This Policy may evolve over time and be adjusted based on legislative and regulatory developments. Updated versions will be published on the Groupe BPCE website.

6 - IMPLEMENTATION AND DECISION-MAKING PROCESS

To ensure compliance with the Policy, each transaction considered with a company operating in the defense & security industry is subject to an in-depth due diligence.

In the case of an existing client who fails, or ceases, to satisfy the criteria laid down in the Policy, a dialogue process is initiated to find an appropriate solution and improve the situation as quickly as possible.

If this dialogue does not lead to tangible progress, Groupe BPCE reserves the right not to establish a new business relationship, or even to reconsider maintaining the existing one.

Exceptions to this Policy may be granted on a case-by-case basis, only in exceptional circumstances and upon the decision of a BPCE SA committee chaired by a member of the executive management committee.

Due to the nature of its activities, the defense & security industry may be exposed to corruption, money laundering or terrorism financing risks, as well as to risks of non-compliance with national and international sanctions. These risks are addressed in Groupe BPCE's Financial Security policies³. The criteria laid out in this Policy shall apply in addition to these policies.

7 - LEGAL NOTICE

Information regarding the practices of companies in the defense & security industry is published or provided by the companies themselves or by third-party service providers. The quality and accuracy of this information, which are essential for the proper application of this Policy by Groupe BPCE, are the responsibility of the relevant companies and service providers.

³. <https://www.groupebpce.com/en/the-group/compliance/>

8 - GLOSSARY

Defense and Security Equipment:

The Policy covers the following Defense and Security Equipment:

- Weapons of mass destruction⁴,
- Conventional weapons, explosives and ammunition (including small arms and light weapons, both civilian and military)⁵,
- Any equipment on the Common Military List of the European Union⁶,
- Equipment likely to be used for surveillance or internal repression⁷,
- Goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment⁸,
- Dual-use goods⁹.

The services associated with such equipment cover consulting, training and maintenance services (including the supply of spare parts).

Defense industry: All companies and organizations whose economic activity is, in whole or in part, oriented towards the provision of products or services to the armed forces, ministries of defense as well as entities entrusted with national defense missions.

Dual-use goods: Sensitive goods and technologies, including software, designed for civilian applications but that can be used for military purposes (conventional weapons or weapons of mass destruction). In the European Union, the export of these goods is subject to prior control.

Excluded equipment: weapons and other equipment prohibited by international

conventions ratified by France or by European Union regulations. The equipment excluded under this Policy are defined in section 3.1.1. It is important to note that the term “controversial weapon” has been used since the 2000s by various stakeholders to describe weapons whose use may spark debate due to the absence or inadequacy of international agreements on their control. However, particularly due to the lack of a consensual definition, this term is not used in this Policy.

Security industry: All companies and organizations whose economic activity is, in whole or in part, oriented towards the provision of products or services to police forces and law enforcement agencies.

Small arms and light weapons:

- Small arms: Weapons designed for single person use, including revolvers, automatic pistols, rifles and carbines, submachine guns, assault rifles and light automatic weapons.
- Light weapons: Weapons generally used by a team of two or three people, including heavy machine guns, portable grenade launchers (detachable or mounted), portable anti-aircraft and anti-tank guns, recoilless rifles, man-portable anti-tank missile launchers and rocket launchers, man-portable anti-aircraft missile launchers and mortars under 100mm caliber.

Surveillance or internal repression equipment:

Includes equipment intended for law enforcement forces and which may be used in law enforcement operations, including firearms, bombs or grenades

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⁴. As referred to in the United Nations Security Council Resolution 1540 dated 28 April 2004.

⁵. As defined by the Arms Trade Treaty, which entered into force on 24 December 2014, and by the Protocol against the Illicit Manufacturing of and Trafficking in Firearms adopted by the A/RES/55/255 resolution dated 31 May 2001.

⁶. As adopted by the Council of the European Union on 17 February 2020, and resulting from the Common Position 2008/944/CFSP.

⁷. As detailed in particular in Council Regulation (EU) no. 36/2012 of 18 January 2012 (Annex I).

⁸. Regulation (EU) 2019/125 of the European Parliament and of the Council of 16 January 2019.

⁹. As defined by Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021, or by regulations in force for companies and transactions in a country outside the European Union.

8 - GLOSSARY

not covered by the Common Military List of the European Union, military knives, razor wire, non-lethal weapons (e.g. defensive bullet launchers), personal and collective protective equipment (e.g. bullet-proof vests), certain explosive substances and non-lethal gases, as well as protected vehicles dedicated to law enforcement. Surveillance equipment includes professional video-surveillance and communications monitoring devices (cyber-surveillance).

Weapons: Devices designed to neutralize, injure or kill living beings, or to cause material destruction, used in combat, confrontation, war, hunting or shooting sports, for attack or defense purposes.

Weapons of mass destruction: As defined by UN Security Council Resolution 1540, weapons of mass destruction are nuclear, biological and chemical weapons.