

# **The Bank's Principles of Intervention in the Defence Sector**

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CONTENTS

Context .....3

General Framework .....3

    Preamble .....3

    Objectifs .....3

    Scope of application ..... 4

Commitments ..... 4

    Exclusion of certain weapons and equipment types ..... 4

    Exclusions of certain counterparties .....5

    Exclusions of certain transactions .....5

Appendix 1 - Glossary.....7

## Context

La Banque Postale recognises that the financing of the defence industry and the arms trade carry specific risks long identified by the international community, including: corruption, money laundering, arms trafficking, proliferation of weapons of mass destruction, intrinsic inadequacy of certain weapons with regard to international humanitarian law, pressure on public spending, particularly for developing countries, illicit accumulation of weapons that could facilitate homicides and fuel organised crime networks or contribute to the destabilisation of States and to terrorism, use for internal repression, international aggression or serious violations of international humanitarian law and contribution to regional instability.

As a banking institution active in the financing of the defence industry of the countries in which it operates, and in the issuance of international guarantees, La Banque Postale may be indirectly exposed to some of these risks.

In this context, the Principles of Intervention provide a framework for the Bank's activities in this sector, defining in particular the exclusions.

The implementation of sector-specific or topical policies is one of the tools that La Banque Postale uses to act in line with its ambitions and values.

## General Framework

### Preamble

This sector-specific policy is part of La Banque Postale's overall risk management system, resulting from its risk appetite statement and implemented through Operational Risk Management Policies and according to the principles defined by the Risk Function Charter.

It will be reviewed regularly and may change under the conditions detailed below, at the request of the business lines in charge of its implementation or in the light of changes in international circumstances, applicable regulations and best practice, upon approval by the Sustainability Department (SD), the Compliance Department and the Group Risk Department (GRD) and after final validation by the Group Risk Management Committee (GRMC).

This Policy also meets the recommendations of the CDC Group Exclusion Policy<sup>1</sup>.

### Objectifs

La Banque Postale adopted a corporate purpose statement in June 2021, and took on mission-led company status in March 2022. With this decision, it has chosen to incorporate three environmental and social impact targets at the heart of its governance processes, including the transformation of its bancassurance model, the development and promotion of offers that meet environmental, social and regional challenges, and the progress of regulatory standards and practices in the banking and insurance sector.

It also supports its customers in the just transition by deploying impact products, enabling them to become actors of the transition. In this respect, the Bank is particularly vigilant in the interactions it may have with certain sectors with major non-financial challenges.

The implementation of sector-specific or topical policies is one of the tools that La Banque Postale uses to act in line with its ambitions and values.

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<sup>1</sup> [ESG library | Caisse des Dépôts Group \(caissedesdepots.fr\)](https://www.caissedesdepots.fr/esg-library).

Given the risks inherent in this activity, but also the geopolitical context and the support for public policies aimed at boosting sovereignty, La Banque Postale has therefore developed a policy dedicated to the defence industry. This policy aims to regulate the Bank's activities in connection with the arms industry and the arms trade.

## Scope of application

This policy applies to all banking and financial transactions, products and services provided and transactions carried out by La Banque Postale SA, LBP Leasing & Factoring and Louvre Banque Privée.

The policy specifically covers economic activities related to the following equipment:

- any weapons of mass destruction<sup>2</sup>;
- all types of conventional weapons, explosives and ammunition, including small arms and light weapons for civil and military use<sup>3</sup>;
- any other asset that would be listed on the common list of military equipment of the European Union<sup>4</sup>;
- any equipment that could be used for internal repression<sup>5</sup>;
- any equipment that is likely to be used or has no practical use other than capital punishment, torture or other cruel, inhuman or degrading treatment or punishment<sup>6</sup>;
- dual-use items<sup>7</sup>.

## Commitments

### Exclusion of certain weapons and equipment types

La Banque Postale excludes from its financing and investment activities all weapons and equipment prohibited under international conventions or European Union regulations.

The production, development, stockpiling, distribution, marketing or use of the following weapons are therefore excluded:

- anti-personnel mines as defined by the 1999 Ottawa Convention<sup>8</sup>;
- cluster munitions as defined by the 2008 Oslo Convention<sup>9</sup>;
- biological or toxic weapons as defined by the 1972 Convention<sup>10</sup>;
- chemical weapons as defined by the 1993 Paris Convention<sup>11</sup>;
- nuclear weapons of non-nuclear-weapon-states<sup>12</sup> under the Non-Proliferation

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<sup>2</sup> As referred to in Resolution 1540 of the United Nations Security Council of 28 April 2004.

<sup>3</sup> As defined by the Arms Trade Treaty which came into force on 24 December 2014 and by the Protocol against the Illicit Manufacturing of and Trafficking in Firearms adopted by Resolution AGNU/55/255 of 31 May 2001.

<sup>4</sup> As adopted by the Council of the EU on 17 February 2020 and arising from Common Position 2008/944/CFSP.

<sup>5</sup> The reference list is that of **Council Regulation (EU) no. 36/2012 of 18 January 2012.**

<sup>6</sup> Council Regulation 1236/2005 of 27 June 2005 amended by Commission Implementing Regulation 775/2014.

<sup>7</sup> As defined by Regulation (EU) 2021/821 of the European Parliament and of the Council.

<sup>8</sup> Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction, adopted in September 1997 and entered into force on 1 March 1999.

<sup>9</sup> Convention on Cluster Munitions, adopted on 30 May 2008 and entered into force on 1 August 2010.

<sup>10</sup> Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin weapons and on their Destruction, adopted in December 1971 and entered into force on 26 March 1975.

<sup>11</sup> Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction, adopted on 3 September 1992 and entered into force on 29 April 1997.

<sup>12</sup> Exception for France, the United Kingdom, the United States, Russia and the People's Republic of China.

Treaty of 1970<sup>13</sup>;

- non-trackable shrapnel weapons and blinding laser weapons covered by protocols II and IV of the Convention on Certain Conventional Weapons of 2 December 1983 and 30 July 1998;
- equipment that has “*no practical use other than capital punishment, torture or other cruel, inhuman or degrading treatment or punishment*”, as defined by Regulation 1236/2005 of the Council of the European Union<sup>14</sup>.

To its knowledge, La Banque Postale does not take part in any transaction whose underlying assets consist of these excluded weapons and equipment as well as their key and dedicated components.

These exclusions refer to non-conventional weapons covered by international conventions signed and ratified by France, which are “prohibited weapons”.

## Exclusions of certain counterparties

La Banque Postale is aware that any financing or investment granted to an entity involved in an excluded weapon or equipment, even if it is not specifically for that purpose, may constitute assistance, encouragement or an incentive, and does not wish to enter into direct relations with counterparties involved in the production, development, stockpiling, distribution, marketing or use of excluded weapons and equipment.

As a result, La Banque Postale also excludes the direct supply of products or services to entities involved in the development, manufacture, production, acquisition, stockpiling, conservation, offering, sale, import, export, trade, brokerage, transfer and use of the above excluded weapons and equipment, as well as their key and dedicated components, regardless of the proportion of their revenue related thereto. It also excludes investment in market instruments issued by undertakings that would themselves be excluded by applying the previous point.

The only exception to these exclusions concerns transactions and undertakings involved in the neutralisation, destruction or stockpiling with a view to neutralisation or for security purposes of the excluded weapons and equipment, as well as transactions that may be subject to a specific exemption related to a United Nations Security Council resolution or related to the implementation of an arms control treaty.

## Exclusions of certain transactions

In order to control the risks of misappropriation, trafficking, corruption, the facilitation of terrorism and organised crime, and the proliferation of weapons and to ensure compliance with international sanctions, La Banque Postale also excludes transactions for which:

- it would be impossible to identify all the counterparties involved;
- it would be impossible to identify all geographical points along the delivery route;
- a non-State buyer acquiring goods exported from a State that has not signed the Arms Trade Treaty may be involved;

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<sup>13</sup> Treaty on the Non-Proliferation of Nuclear Weapons, adopted on 12 June 1968 and entered into force on 5 March 1970.

<sup>14</sup> Council Regulation (EC) no. 1236/2005 of June 27, 2005, concerning trade in certain goods which could be used for capital punishment, torture or other cruel, inhuman or degrading treatment or punishment.

- the destination may be a country in which the annual rate of gun violence exceeds five victims per 100,000 inhabitants<sup>15</sup> when the transaction involves small arms and light weapons, and the recipient does not belong to the public defence or security forces;
- the destination may be a country under international sanctions or for which an applicable embargo regime has been decided by France, the United Nations Security Council or the European Union.

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<sup>15</sup> Venezuela, El Salvador, Jamaica, Honduras, Guatemala, Brazil, Colombia, United States, Uruguay, Mexico, South Africa, Panama, Montenegro, Philippines, Costa Rica, Barbados, Paraguay.

# Appendix 1 - Glossary

**Firearms:** [the United Nations protocol](#) of 31 May 2001 defines them as “any portable barrelled weapon that expels, is designed to expel a shot, bullet or projectile by the action of an explosive, or could easily be converted for this purpose, excluding antique firearms or their replicas”.

**Small arms and light weapons:** [the United Nations International Tracing Instrument from 2005](#)<sup>16</sup> distinguishes between:

- “*Small arms*” which are, generally speaking, weapons designed for individual use. These include revolvers and self-loading pistols, rifles and carbines, sub-machine guns, assault rifles and light machine guns;
- “*Light weapons*” which are, generally speaking, designed for use by two or three persons serving as a crew, although some may be carried and used by a single person. This category primarily includes: heavy machine guns, hand-held under-barrel and mounted grenade launchers, portable anti-aircraft guns, portable anti-tank guns, recoilless rifles, portable launchers of anti-tank missile and rocket systems, portable launchers of anti-aircraft missile systems, and mortars of a calibre of less than 100 millimetres.

**Hunting or sport shooting weapons:** weapons (revolvers, hand guns, carbines and rifles) for civilian, sporting or hunting use. Their legal definition (technical characteristics) varies between States or intra-State geographical entities. La Banque Postale states that they must not include an automatic firing system (“burst”).

**Dual-use goods:** dual-use goods and technologies are products and technologies, including software, initially designed for civilian use which may be misused by their user for military or terrorist purposes or to abuse human rights. Within the European Union, ten categories of assets are considered sensitive or strategic given their potential military applications in the event of a misappropriation of their initial use. Export of these goods is therefore subject to a prior export control. The key points to attend to are the origin of the goods, the exporter, the use of the goods and the recipient/end-user.

**Key and dedicated component:** an essential component of a piece of equipment or a weapon system that is also specific to that piece of equipment or system. Everyday use products (fixing equipment, paint, ordinary industrial consumables, etc.) are therefore not covered, and nor are non-specific systems and vehicles (trucks, aircraft, etc.).

**Counterparty:** any natural or legal person mentioned in a contract binding on La Banque Postale is considered a “counterparty” for the purposes of this policy, even if the Bank does not provide a product or service to this counterparty.

**“Private Military Company” (PMC):** a company or non-State organisation providing operational or logistical services and/or consulting and training services in the field of security, intelligence or defence.

**Intermediary:** an “intermediary” is a natural or legal person who acts as a link or mediator between one or more parties to a commercial transaction.

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<sup>16</sup> International instrument to enable States to identify and trace illicit small arms and light weapons in a timely manner, adopted in December 2005.

**Law enforcement equipment:** all dedicated equipment, intended for law enforcement and that can be used in law enforcement operations, including non-lethal weapons, personal and collective protective equipment, non-lethal gases and dedicated protected vehicles for this purpose.

**Underlying:** economic purpose of a transaction.