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# DEFENCE AND SECURITY SECTOR POLICY

*APRIL 2025*

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**BNP PARIBAS**

The bank  
for a changing  
world

# STRUCTURE

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## PREAMBLE

BNP Paribas has defined a policy governing all its business activities related to the defence and security industry.

The defence and security sector is essential for the protection of democracies and their citizens. An innovative and efficient defence industry allows democratic societies to prepare, organise, and exercise their right to self-defence. As a leading financial institution, BNP Paribas reaffirms its commitment to supporting the financing of defence companies, primarily within NATO countries and mostly in Europe. The Group is thus sensitive to the position of the European Council of 27 May 2024, which considers that the European Union must increase its defence preparedness and strengthen its sovereignty, notably by ensuring the availability of defence goods and reinforcing the defence industrial and technological base of its member states. Defence and security companies, large enterprises, small and medium-sized companies, bear non-relocatable industrial jobs that structure territories and fuel vast economic ecosystems, from research and development to services associated with the implementation of produced equipment.

While the defence and security sector faces environmental, social, and governance (ESG) challenges like any other sector, the nature of its activities exposes it to specific risks which have long been identified by the international community and recalled in the EU Common Position 944/2008<sup>1</sup>. To reconcile the management of these risks with the respect for states' right to self-defence, the international community has established various instruments to regulate arms trade, eliminate categories of armaments incompatible with international humanitarian law, and prevent the proliferation of weapons of mass destruction. It is notably the responsibility of each state to regulate its international arms trade and prevent diversion by establishing an effective national export control regime.

As a banking group, BNP Paribas recognises the importance of international positions and instruments applicable to arms' and dual-use goods' trade control as well as non-proliferation. To manage the mentioned risks while actively supporting the defence and security sector, BNP Paribas implements this policy, which implies enhanced vigilance in examining relationships and transactions related to arms production and trade.

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<sup>1</sup> Corruption, embezzlement and arms trafficking, proliferation of weapons of mass destruction, inadequacy of certain weapons with regard to international humanitarian law, illicit accumulation of weapons that can fuel organized crime networks or contribute to terrorism and destabilization of states, use of weapons for internal repression, international aggression or serious violations of international humanitarian law, and contribution to regional instability



# SECTOR POLICY

## 1. SCOPE OF APPLICATION

### 1.1 Equipement

There is no precise legal definition of the defence and security economic sector in France or in Europe. Within the framework of this policy, "defence and security equipment" or "equipment" covers the following:

- All types of conventional weapons and ammunition, including small arms and light weapons, as defined by the Arms Trade Treaty and the UN Protocol against the Illicit Manufacturing of and Trafficking in Firearms;
- Any item listed on the EU Common Military List;
- Any equipment likely to be used for surveillance or internal repression as defined by Regulation (EU) 2012/36;
- Dual-use goods as defined by Regulation (EU) 2021/821;
- Any weapon of mass destruction, as referred to by UN Security Council Resolution 1540.

Given technological developments, particularly in robotics, drones, and artificial intelligence, BNP Paribas reserves the right, notably to prevent circumvention of international sanctions, to apply its policy criteria to any transaction involving a good whose use is clearly military.

### 1.2 Geographical scope

This policy has a global reach.

### 1.3 Companies

The Policy covers defence and security companies: any company, group, institution, state agency or organisation involved in the development, manufacture, production, acquisition, storage, preservation, offering, sale, import, export, trade, brokerage, transfer and use of equipment covered by the Policy or active in operational or logistical services in the field of security, intelligence or defence.

The Policy covers transactions of these companies, except for their purely civilian activities.

### 1.4 BNP Paribas activities

BNP Paribas Group Entities: this policy applies to all business lines, branches, subsidiaries and joint ventures where BNP Paribas has operational control.

Financial products and services: this policy applies to all BNP Paribas activities (credit, debt and equity markets, guarantees, and advisory activities, etc.). It covers all clients and all new financing agreements. Financing agreements dated prior to this policy will be revised accordingly upon renewal or at the scheduled review date. BNP Paribas pledges to encourage the application of the rules defined in this policy in any joint venture or outsourcing agreement.



Investment and asset management<sup>2</sup>: this policy applies to all BNP Paribas entities managing assets for their own account and for third parties, except for index-linked products and mandates upon explicit request of clients. External asset managers are encouraged to apply similar standards.

## 2. PRINCIPLES

BNP Paribas expects defence and security companies to comply with applicable laws, licensing obligations and international conventions ratified by the countries where they operate.

In addition to complying with applicable regulations, this policy establishes criteria to be met by defence and security companies and the Group expects them to be transparent about the nature of their activities, company structure, and ownership up to the ultimate beneficiary level.

## 3. POLICY RULES AND STANDARDS

### 3.1 Exclusion rules

BNP Paribas applies the following exclusion rules to the provision of financial products and services as well as investments related to the trade of defence and security equipment.

#### 3.1.1 Countries

To manage the risks mentioned in the preamble of this policy, BNP Paribas has defined several due diligence mechanisms to identify the final destination of these equipment and the intermediaries involved.

BNP Paribas excludes any transaction related to the export of defence and security equipment to a country:

- Subject to an applicable embargo decided by France, the European Union, the United States, or the UN Security Council;
- Listed by the FATF as having the most severe deficiencies in legislation to prevent terrorism financing or money laundering.

#### 3.1.2 Defence and security companies

BNP Paribas excludes investment or the provision of financial products or services to entities where it believes there is a risk of association with the development, manufacture, production, acquisition, storage, preservation, offering, sale, import, export, trade, brokerage, transfer, and use of excluded weapons and equipment as detailed in section 3.1.3.

#### 3.1.3 Equipement

BNP Paribas excludes the provision of products or services linked to the following equipment, prohibited by international conventions signed by France or EU regulations:

- Cluster munitions as defined by the Oslo Convention of 2008;

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<sup>2</sup> Scope: BNP Paribas Asset Management, BNP Paribas Cardif, BNP Paribas Wealth Management, BNP Paribas Real Estate Investment Management.



- Anti-personnel mines as defined by the Ottawa Convention of 1997;
- Non-detectable fragment weapons and blinding laser weapons as referred to by Protocols I and IV of the Convention on Certain Conventional Weapons of 1980;
- Biological or toxin weapons as defined by the 1972 Convention;
- Chemical weapons as defined by the Paris Convention of 1993;
- Nuclear weapons regulated by the Non-Proliferation Treaty of 1968, except for NATO states' programmes authorized under this Treaty;
- Equipment "having no other practical use than inflicting capital punishment, torture, and other cruel, inhuman, or degrading treatment or punishment," as defined by EU Council Regulation 1236/2005.

The exclusion also applies to components specifically designed for the above equipment.

### 3.1.4 Defence and security transactions

BNP Paribas excludes any transaction linked to excluded equipment as per section 3.1.3.

BNP Paribas also excludes any transaction related to the export of defence and security equipment where the risk of corruption or diversion is not controlled, i.e.:

- Any transaction where the identification of all parties is impossible;
- The identification of all geographical stages of the shipment is impossible.

Furthermore, BNP Paribas excludes any transaction related to the export of defence and security equipment to a country where the transaction poses an overriding risk for the respect of human rights.

## 3.2 Evaluation rules

### 3.2.1 Risk profile of defence and security companies

BNP Paribas will support its existing and potential clients by focusing on countries where the Group is active, evaluating their exposure to the risks defined in the preamble. Companies located in countries without a sufficiently robust regulatory framework will be subject to additional due diligence to ensure they have internal procedures and policies in place to manage the afore-mentioned risks. To assess the quality of the regulatory framework, the Group favours companies incorporated in states committed to implementing the 2014 Arms Trade Treaty<sup>3</sup> or in states with a national defence and security export control regime aligned with the best practices defined in the Treaty.

### 3.2.2 Defence and security transactions

Beyond strict exclusion rules, the decision to approve a transaction will be based on a careful assessment of the risks mentioned in the preamble. Similarly, when a conflict arises, BNP Paribas is particularly vigilant in the financial services the Group can provide.

Thus, the Group develops an analysis based on respect of international commitments, respect of human rights, the internal situation of the destination country and its anti-terrorism policy, the impact of the transaction on regional security and stability, the existence of a diversion risk and the control of corruption risk.

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<sup>3</sup> [Arms Trade Treaty](#)



These assessments may lead the Group to decline certain requests, even if they do not contravene the exclusion rules mentioned in section 3.1.

## 4. IMPLEMENTATION MECHANISMS

BNP Paribas relies on internal and external expertise to conduct the required analysis to determine which companies and entities are involved in excluded weapons and equipment or in violating embargoes. This information is appropriately reviewed within the Group and shared for debate with the affected companies.

Lists of excluded and monitored entities based on the criteria defined by this policy are centrally managed and applied by all Group's entities.

### 4.1 Implementation for financing and services' activities

Functions (Compliance, RISK) are responsible for detecting, analysing and mitigating the risks on which they conduct their second-line of defence missions.

### 4.2 Implementation for investment and asset management activities

In its investment and asset management activities<sup>4</sup>, BNP Paribas implements the exclusion rules defined in section 3.1 through lists of excluded or monitored companies. Based on the criteria defined in this policy, BNP Paribas Asset Management establishes exclusion and monitoring lists to cover the investment universe, the modalities of which will be described in its "Responsible Business Conduct Policy" (RBC<sup>5</sup>).

## 5. DISCLAIMER

To comply with regulations and apply the principles defined in its internal sectoral procedures and policies, BNP Paribas makes its best efforts to obtain information, notably from defence companies, about their policies and practices. BNP Paribas also relies on open sources of information and external data providers for its analyses. However, these analyses depend on the quality, accuracy and updating of this information.

BNP Paribas complies with applicable laws and regulations. In the event of the applicable legislation of a country being stricter than the rules defined in this policy, BNP Paribas will apply the most stringent rules.

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<sup>4</sup> Scope: BNP Paribas Asset Management, BNP Paribas Cardif, BNP Paribas Wealth Management, BNP Paribas Real Estate Investment Management

<sup>5</sup> [RBC - BNP PARIBAS AM](#)



## 6. GLOSSARY

The following definitions apply to this policy:

- **Anti-Personnel Mine:** a mine designed to explode in the presence, proximity, or contact with a person, capable of maiming, injuring or killing one or more people (definition from the Ottawa Convention, 1997).
- **Arms Trade Treaty:** the UN Arms Trade Treaty is a treaty which regulates the international trade of conventional arms – from small arms to battle tanks, combat aircraft, and warships – with the aim of preventing and eliminating illicit arms trade as well as preventing their diversion. It was adopted by the UN General Assembly on 2 April 2013 and entered into force on 24 December 2014.
- **Artificial Intelligence:** the CNIL (Commission Nationale de l'Informatique et des Libertés) defines artificial intelligence as "a logical and automated process generally based on an algorithm, capable of performing well-defined tasks." The European Parliament considers artificial intelligence to be any tool used by a machine to "reproduce human-related behaviours, such as reasoning, planning and creativity."
- **Biological weapons:** defined based on the multilateral Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Bacteriological (Biological) Weapons and Toxins and on their Destruction (1972):
  - a) Microbial or other biological agents, or toxins, regardless of their origin or method of production, of types and quantities not justified by prophylactic, protective or other peaceful purposes;
  - b) Weapons, equipment, or means of implementation designed for the use of these agents or toxins for hostile purposes or in armed conflicts.
- **Chemical weapons:** defined based on the multilateral Convention on the Prohibition of the Development, Production, Stockpiling, and Use of Chemical Weapons and on their Destruction (1993):
  - a) Toxic chemicals and their precursors, except when designed for purposes not prohibited by this Convention, provided their types and quantities are consistent with these purposes;
  - b) Munitions and systems, specially designed to cause death or other harm due to the toxic properties of the toxic chemicals mentioned in subparagraph (a), which would be released as a result of the use of these munitions and systems;
  - c) Any equipment specially designed for usage directly related to the use of the munitions and systems mentioned in subparagraph (b).
- **Cluster Munition:** cluster munitions prohibited by the Oslo Convention of 2008 are defined as "a conventional munition designed to disperse or release explosive submunitions, each weighing less than 20 kilograms, and includes these explosive submunitions." It does not designate:
  - a) A munition or submunition designed to launch illuminating devices, smoke, pyrotechnics, or decoys, or a munition designed exclusively for anti-aircraft defence purposes;
  - b) A munition or submunition designed to produce electrical or electronic effects;
  - c) A munition that has all the following characteristics to avoid indiscriminate effects on an area and the risks posed by unexploded submunitions:
    - i. Each munition contains fewer 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.





- **Controversial weapons:** the term "controversial weapons" has been used since the 2000s by various stakeholders to qualify weapons whose use could lead to debates due to the heterogeneity of national legislative frameworks and the absence or insufficiency of international arms control instruments. More recently, "controversial weapons" are notably defined by Delegated Regulation 2022/1288 of 6 April 2022 supplementing Regulation 2019/2088 as "anti-personnel mines, cluster munitions, chemical weapons, or biological weapons." In the context of this Policy, BNP Paribas prefers the term "excluded weapons," defined in section 3.1.
- **Defence Sector:** the Group defines it as all companies and organisations with an economic activity wholly or partially focused on providing products or services for armed forces, defence ministries, and national and supranational entities responsible for national defence missions.
- **Diversion Risk:** diversion risk relates to the transfer of defence and security equipment to unauthorised users or transfers to authorised users who will use the equipment irresponsibly to commit serious human rights violations. (See also Article 11 of the Arms Trade Treaty).
- **Drone:** a drone is, strictly speaking, an unmanned device that can operate in one or more environments, whether in the air, on the ground, on and/or under water. It is generally remotely piloted by a human operator but can have varying degrees of autonomy.
- **Dual-Use Goods:** dual-use goods and technologies are sensitive products and technologies intended for civilian applications but can be used for military purposes. In the European Union, their export is subject to prior control.
- **Internal Repression:** the EU Code of Conduct on Arms Exports defines "internal repression" as including "torture and other cruel, inhuman, and degrading treatment or punishment, summary or arbitrary executions, disappearances, arbitrary detentions and other serious violations of human rights and fundamental freedoms mentioned in relevant international human rights instruments, including the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights."
- **Internal Repression Equipment:** in the context of this policy, "internal repression equipment" should be understood as a specific category of security and police equipment that could be used for internal repression purposes. The EU Code of Conduct on Arms Exports defines "internal repression equipment" as "equipment likely to be used for internal repression [including], notably, equipment for which there is evidence of use by the intended end-user of these or similar equipment for internal repression purposes or for which there are reasons to believe that the equipment will be diverted from its declared end-use or declared end-user to be used for internal repression." There is no exhaustive list of this category of equipment, but EU regulations introducing restrictive measures on certain countries sometimes specify a list of equipment covered by an embargo on internal repression equipment.<sup>6</sup>
- **Financial Action Task Force (FATF):** the Financial Action Task Force is an intergovernmental body aimed at developing and promoting national and international policies to combat money laundering and terrorism financing.
- **Military Equipment:** defined as any equipment covered by the EU Council Common Position 2008/944/PESC defining common rules governing the control of exports of military technology and equipment, following the latest EU Common Military List<sup>7</sup>.

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<sup>6</sup> As an example, see Annex I of Council Regulation (EU) No 36/2012 of 18 January 2012 concerning restrictive measures in view of the situation in Syria, or Annex II of Council Regulation (EU) No 588/2011 of 20 June 2011 amending Regulation (EC) No 765/2006 concerning restrictive measures against President Lukashenko and certain officials of Belarus.

<sup>7</sup> For the most recent Common Military List of the European Union at the time of publication of this document, see: [eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2015:129:FULL](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2015:129:FULL)

- **Non-Proliferation Treaty (NPT):** the Non-Proliferation Treaty is an international treaty concluded in 1968 and signed by 191 countries. It aims to reduce the risk of nuclear weapons spreading worldwide while ensuring the development of peaceful uses of the atom. Its implementation is guaranteed by the International Atomic Energy Agency (IAEA). It establishes a distinction between "non-nuclear-weapon states" which commit not to acquire nuclear weapons and "nuclear-weapon states" (China, United States, France, Russia, United Kingdom).
- **Nuclear Weapon:** the P5 glossary on key terms in the nuclear field developed as part of the implementation of the Non-Proliferation Treaty defines it as "a weapon system capable of producing an explosion and massive destruction and damages resulting from the sudden release of energy instantly generated by a self-sustained controlled nuclear fission and/or fusion".
- **Security and Police Equipment:** security and police equipment are goods and services (weapons, technologies, training, and coaching) that enable security and police forces to function. These include small arms and light weapons, ammunition, riot control equipment, vehicles, surveillance equipment, and any form of security and police force training.
- **Small Arms and Light Weapons (SALW):** "light weapons" are used by a single person. These include revolvers, self-loading pistols, rifles and carbines, submachine guns, assault rifles, and light automatic weapons. "Small arms" are generally used by two or three people working as a team. This category includes heavy machine guns, portable and mounted grenade launchers, portable anti-aircraft and anti-tank guns, recoilless rifles, portable anti-tank missile launchers and rocket launchers, portable anti-aircraft missile launchers, and mortars with a calibre of less than 100 millimetres.
- **Weapons:** all devices intended, by their design or use, to neutralise, injure or kill a living being, or cause material destruction, used for attack or defence, in combat, confrontations or war, in hunting or sports shooting contexts. Equipment such as radars, binoculars, and unarmed trucks are not considered weapons.

The definitions provided above are subject to change during the policy's review.

