

EUROPEAN DEFENCE BOND FRAMEWORK

July 2025

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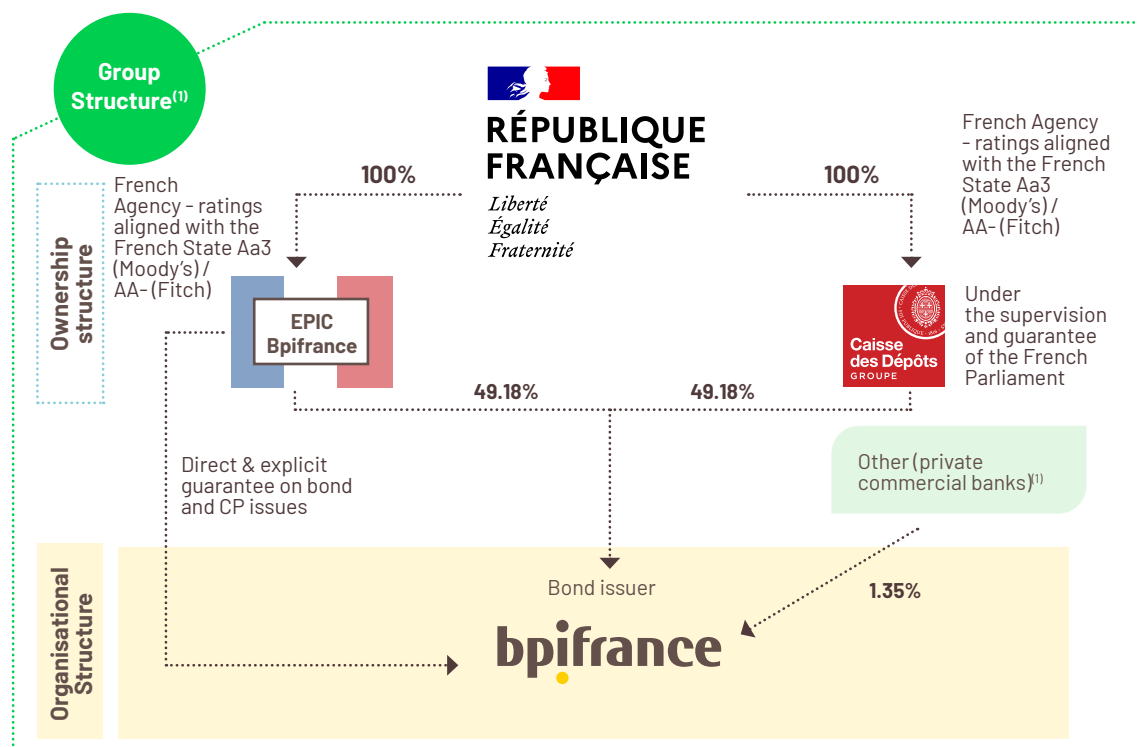
A large, stylized number '01' in a dark brown font. A white, swoosh-like shape curves around the number, ending in a solid green circle. The background is a solid yellow color with some subtle, lighter yellow abstract shapes.

01

INTRODUCTION

A brief overview of Bpifrance

Bpifrance acts as a Development Bank, Innovation Agency, Sovereign Fund, and Export Credit Agency. Its general interest mission leads **Bpifrance** to promote the financing and the development of companies operating in France, in particular SMEs. **Bpifrance** is a public group created by the law of 12 July 2013. It aims to finance and develop companies and acts in accordance with the public policies conducted by both the French State and French regional authorities. **Bpifrance** has a highly protected legal status and is closely supervised by the public authorities: the French State, through EPIC1 **Bpifrance** (49.18%) and the Caisse des Dépôts (49.18%), owns and controls **Bpifrance**. **Bpifrance's** "raison d'être" reflects the 2019 "loi PACTE" which encourages companies to "include social and environmental issues related to their activity in their articles of association".



Bpifrance, the parent and banking entity of the group, is the bond issuer. Its corporate purpose is to finance and stimulate French SME growth and innovation by offering financing solutions which are suited to every stage of business development.

Thanks to **Bpifrance's** expertise, its 50 regional offices, and more than 1,500 employees in its network who are in daily contact with French Micro and SMEs, these French corporates benefit from unique and efficient assistance. Hence, **Bpifrance** helps them take advantage of opportunities while overcoming their challenges. **Bpifrance's** business model is the one of an atypical organisation, built to address French enterprises' sustainable growth needs. It has been constructed around core and federative values to "Serve the Future".

⁽¹⁾ Commercial banks hold a 1.35% stake in **Bpifrance** and **Bpifrance** holds 0.29% of its own capital.

Financing Defence Sector: to foster European Sovereignty, Innovation and Economic Competitiveness

Having a strong Defence industry constitutes a powerful diplomatic lever, enabling the European Union (EU) to actively participate in peacekeeping, stabilization, and crisis management missions, thereby strengthening its position as a global actor. In addition, it is a driver of innovation, economic competitiveness and territorial development, thanks to its geographic locations throughout the entire national territory. Recent developments in the sector necessitate a new industrial approach, where production speed and volumes now take precedence over the cost-performance-time triptych. Cybersecurity is increasingly crucial as the growing hybrid threats include cyber-attacks, sabotage, electronic interference in global navigation and satellite systems, disinformation campaigns and political and industrial espionage.

As the European Commission stated: *"Preparedness is key - taking responsibility for our own security means investing in robust Defence, safeguarding our people, and ensuring we have the resources to act when needed."*⁽²⁾

As the French national promotional bank, innovation agency, sovereign fund and export credit agency, **Bpifrance** assists businesses of all sizes across all the French territories:

- For micro-businesses, **Bpifrance** aims at facilitating entrepreneurship by removing obstacles to creation (seed money, innovation aid, guarantees, financing, support for business creation).
- For SMEs and Mid-Caps, the focus of **Bpifrance** is to support the growth of French SMEs domestically and internationally (innovation aid, guarantees, financing, export support and insurance, consulting and training days, growth capital).
- For Large-Caps, **Bpifrance** participates in growth through collaborative innovation projects, financing, export insurance and capital stabilization.

Part of **Bpifrance's** activities is carried out under public policy, and uses dedicated funds from the French State, French regional authorities or Europe, such as:

- Guaranteeing loans granted by banking partners
- Financing innovation through aid or loans
- Export credit insurance.

Due to its unique positioning, **Bpifrance's** missions are guided by the following principles:

- Supporting development and resilience of SMEs to foster employment in France.
- Socioeconomic advancement and empowerment.
- Financing access to essential services.
- Accelerating the energy and environmental transition fairly among all businesses.

The Defence industry represents more than 210,000 jobs in France, but companies face financial difficulties. Long cycles, restrictive lending conditions from private financiers⁽³⁾ and dependence on public orders hinder private investment decisions. A public/private financing solution is necessary to support strategic SMEs and mid-sized companies.

The Defence-themed bond initiative of **Bpifrance** occurs in the backdrop of heightened national and European commitments to Defence financing. On March 4, 2025, the Commission unveiled its ReArm Europe Plan/Readiness 2030⁽⁴⁾, which identifies potential funding of €800 billion to finance the rearmament of Europe, outlining several key mechanisms to achieve this goal.

⁽²⁾European Commission (28 March 2025), "The White paper for European Defence - Readiness 2030", available [here](#).

⁽³⁾Rapport d'information, portant recueil d'auditions de la commission sur les enjeux et perspectives de l'économie de guerre", available [here](#).

⁽⁴⁾Future of European defence - European Commission

Initiatives such as the **Bpifrance** European Defence Bond aim to diversify financing sources. The ringfencing mechanism sheds light on the diversity of French firms operating in the Defence and security sector, by type of weapons, non-lethal equipment and components produced, value chain positioning, as well as the geographical distribution of manufacturing sites.

Focus on Industrial and Technological Defence Base

Defence is a strategic and somehow complex sector due to its technical specificities, perception, and regulatory framework. However, it is a sector that must nonetheless ensure its sustainability. France has put in place a list: Defence Technological and Industrial Base (DTIB or BITD⁽⁶⁾) which refers to all French companies working directly and indirectly to equip the armed forces. This list is not publicly disclosed and subject to regular revisions. Procurement agency in the French Minister of Armed Forces, the Directorate General of Armaments (DGA)* has access to the DTIB list composition and determines the Defence-themed eligibility of borrowing firms. Those companies are positioned along the entire value chain of the value ecosystem. Some companies contribute to the production of weapon systems, from R&D to maintenance, others provide strategic products, or common products used by the armed forces.

Some key metrics of the French Defence Industry:

- 26,000 companies of all types are suppliers to the Ministry of the Armed Forces
- 210,000 jobs supported across the industry
- 4,500 companies are involved in armament programs (main contractors and subcontractors)
- 1,000 companies are considered critical, meaning that a failure or disruption in their supply of products or services would have a major impact on armament programs (unique expertise or significant volume)
- 37% of DTIB's total turnover is achieved through exports.

Many DTIB companies may sell to both Defence and non-Defence end markets. They benefit from certain synergies between military and civilian technological developments, helping to minimize the development costs of armaments. Financing these companies thus promotes employment and innovation across the whole economy.

The Defence industry is characterized by long timelines with military programmes that can span decades between research, development, delivery, and operational maintenance, usually in small series.

Focus on Defence trade associations

For many years, French companies in the Defence sector have come together in trade associations to promote their interests and unite to face common challenges. These organizations collectively contribute to the growth of the French Defence economy by promoting exports, creating jobs, and driving technological innovation. They ensure that the French armed forces are equipped with state-of-the-art equipment and technologies, enhancing national security. By joining forces in trade association, it helps maintain and expands France's influence in the global Defence market, securing strategic partnerships and contracts.

These organizations play a crucial role in supporting and advancing the French Defence industry, making significant contributions to the national economy and security:

- GICAT: Group of French Land and Air-Land Defence and Security Industries (*Groupement des Industries françaises de Défense et de Sécurité terrestres et aéroterrestres*) is a professional association created in 1978, bringing together nearly 480 companies, 80% of which are SMEs. GICAT organizes events, publications, and services for its members.

⁽⁶⁾<https://www.Defence.gouv.fr/economie-guerre-produire-plus-plus-vite-defi/infographie-zoom-base-industrielle-technologique-Defence>

*More information on DGA, available here (<https://www.Defence.gouv.fr/dga>)

It aims to promote French excellence in Defence and security, as well as to strengthen national sovereignty. The member companies of GICAT generate a total turnover of 8.9 billion euros, with 50,000 direct jobs in the Defence and security sector. 100% of the companies that are members of GICAT belong to the security or Defence sector⁽⁶⁾.

- GIFAS: Group of French Aeronautics and Space Industries (*Groupement des Industries françaises aéronautiques et spatiales*) is an association founded in 1908, bringing together over 420 companies in the aeronautics and space sector represents, supports, and promotes the interests of the French aeronautics and space sector by organizing events such as the Paris Air Show and supporting innovation and internationalization. 25,5% of GIFAS's turnover is generated in the Defence sector (2023)⁽⁷⁾.
- GICAN: Group of Naval Construction and Activities Industries (*Groupement des Industries de Construction et Activités Navales*) is a professional association representing over 300 companies in the French maritime sector, including shipyards, system manufacturers, equipment suppliers, and subcontractors. GICAN organizes major trade shows such as EURONAVAL and EUROMARITIME and defends the interests of its members with French and European authorities. It focuses on issues such as competitiveness, internationalization, eco-energy transition, and innovation. The member companies of GICAN generated a turnover of 15.5 billion euros, about 60% of which comes from exports. The sector also represents around 100,000 direct and indirect jobs. 69% of GICAN's turnover is generated in the Defence sector (2024)⁽⁸⁾.

Focus on Start-Ups, SMEs, and critical supply chain actors

The increasing role given to civilian actors and startups represents a significant evolution in the Defence industry.

Indeed, particularly thanks to the dynamism of technological startups, innovations often emerge more quickly in the civilian sector than in large Defence groups. This shift has not gone unnoticed by the major players of the sector, who are gradually breaking down barriers. The most innovative fields, such as drones, cybersecurity, artificial intelligence, and cloud computing, are the most conducive to collaborations.

In France, the shift towards open innovation and, more broadly, the growing involvement of new innovative actors in Defence programs is particularly encouraged by the *Defence Innovation Agency* (AID⁽⁹⁾), created in 2018.

Increasingly, innovative startups and SMEs are winning contracts with the Directorate General of Armaments (DGA⁽¹⁰⁾).

What Bpifrance does

Bpifrance mobilizes a continuum of solutions in support of the Defence Sector through all its intervention tools, whether in equity, loans, support, or export assistance.

- Through support:

- *Diag Cybersecurité Defence*⁽¹¹⁾: This diagnostic targets DTIB SMEs. It is a 50% subsidy of the consultant's budget, which amounts to €4.4K excluding taxes. This diagnostic consists of a consulting service provided by a specialized expert to assess the company's level of cyber maturity, identify its main vulnerabilities, and determine an action plan to address them. SMEs or mid-sized companies with less than 2,000 employees registered in France are targeted, companies should be engaged in activities related to the Defence sector. All beneficiaries are pre-qualified by the DGA. This mechanism is part of the Cyber SME Plan coordinated by the DGE and the SGPI⁽¹²⁾ to financially support SMEs in implementing Cyber solutions.

⁽⁶⁾ Annual report, GICAT, available [here](#). Data from 2024

⁽⁷⁾ GIFAS, Key Figures, available [here](#)

⁽⁸⁾ Annual report, GICAN, 2024, available [here](#)

⁽⁹⁾ More information on AID, available [here](#)

⁽¹⁰⁾ More information on DGA, available [here](#)

⁽¹¹⁾ DIAG CYBERSECURITÉ - Diagnostic Accompagnement Bpifrance

⁽¹²⁾ Secrétariat général pour l'investissement (SGPI) | info.gouv.fr

- *Accélérateur Défense*⁽¹³⁾: 55 companies in the Defence sector selected to improve operational efficiency and meet public demand. It is established through the partnership between **Bpifrance** and the Directorate General of Armament (DGA), aims to support SMEs and mid-sized companies that subcontract armament programs to adapt their industrial capabilities to the challenges of this particular moment, meet the new requirements of Defence manufacturers, and thus secure their position within the Defence apparatus. The program includes 12 months to primarily support companies in their operational performance and set it on a path of sustainable growth.
- Through Equity:
 - *Fonds Definvest*⁽¹⁴⁾: The Definvest fund for strategic DTIB companies has a size of €100M under management; investment tickets are between €500K and €10M, more than 20 investments have been made since its launch in 2018.
 - *Fonds Innovation Défense*⁽¹⁵⁾: The fund's objective is to support the growth of companies with Defence-interest technology, primarily in the scale-up phase. Launched in 2021, The target size is €400M under management.
- Through Loan financing:
 - *Article 90*: The so-called *Article 90* procedure aims to promote the export of armament materials by reducing the risk borne by manufacturers during industrialization. It is a loan in the form of a Repayable Advance, partial public financing that is reimbursed progressively through sales. This is designed for French companies in the Defence sector, and could amount up to 65% of the total amount of industrialization investments. An interest-free period for the first two years. There is also a possibility, in case of program failure, under certain conditions and after passage through an interministerial commission, to be exempted from repaying all or part of the advance.
 - *DEF'FI loans*⁽¹⁶⁾: The Def'Fi unsecured loan targets SMEs that are over 3 years old, operating or developing an activity in the Defence sector, or meeting the goal of territorial revitalization as defined by the Ministry of the Armed Forces.
- Through Export;
 - *Assurance Credit*: The Defence, Naval, Space, and Telecommunications Key Accounts team, within **Bpifrance** Export Insurance, guarantees contracts for goods that are subject to export authorization by CIEEMG⁽¹⁷⁾ and the related financing (authorization criteria relate to compliance with international embargos, risks of diversion to unauthorized users, respect for human rights in the destination country, or the internal situation of the importing country, particularly in terms of stability and human rights, see further explanations in section 2.2 Process for Project Evaluation and Selection).
 - *Parcours Business International Sécurité Défense*: it is a program to organize international immersions for commercial support. It aims to accelerate **Bpifrance**'s efforts in supporting the exports of DTIB's industrial and innovative fabric and consolidate efforts deployed in France on these strategic sectors with a tailored export support offer.
 - *Assurance Caution and Préfinancement Export* facilitates the issuance of guarantees and pre-financing credits necessary for the execution of export contracts.

⁽¹³⁾Accélérateur Défense

⁽¹⁴⁾Fonds spécialisés - Definvest

⁽¹⁵⁾Fonds spécialisés - Fonds Innovation Défense

⁽¹⁶⁾With the Def'Fi loan, you have access to a fixed-rate equity loan, co-financing, with no deposit and no guarantee. This scheme is designed to finance or invest in SMEs in the defence sector.

⁽¹⁷⁾Contrôler les exportations de matériels de guerre | SGDSN

Rationale for Bpifrance European Defence Bond

The current trajectory for military spending in France is outlined in the 2024- 2030 Defence programming law⁽¹⁸⁾. In August 2023, the Parliament earmarked €413bn for Defence over the period, with annual spending gradually increasing to €67bn by 2030 (~2.1% of GDP) from €50bn in 2025 and €32bn in 2017. The objectives of the Defence programming law are both to maintain capabilities and to renew equipment. Indeed, military equipment follows a cycle of several decades, requiring significant reinvestment at regular intervals, such as the construction of a new aircraft carrier to replace the current Charles de Gaulle by 2038⁽¹⁹⁾. According to French Minister of Defence, the 'ideal weight' of military spending is about €100bn per year. In this context, **Bpifrance**, as the French public investment bank, plays a critical role in financing industries, including those involved in the Defence sector. Financing French industries involved in Defence is a pivotal role for **Bpifrance** and French State strategy to support national security, drive innovation, stimulate economic growth, manage risks, enhance global competitiveness, promote collaboration, and promote sustainability and resilience in the sector. These actions help maintain a robust and capable Defence industry that serves the broader interests of France.

Defence industries are crucial for national security and sovereignty. By financing these industries, **Bpifrance** ensures that France maintains a strong Defence capability, which is vital for the country's **strategic interests**. Defence industries are at the forefront of **technological innovation**. Financing these industries lead to **advancements in technology** that can have broader applications beyond Defence, benefiting other sectors of the economy. Additionally, those industries significantly contribute to **economic growth** through local and quality job creation, export opportunities, and the development of high-value products. Supporting these industries helps stimulate economic activity and growth.

Bpifrance helps mitigate the risks of the industry by providing stable and long-term financing, ensuring that critical projects can be completed without financial interruptions. Support from **Bpifrance** helps Defence companies maintain France's position in the international Defence market and ensure that French companies can **compete** with their international counterparts. Financing can facilitate **collaboration** between Defence industries and other sectors, such as cybersecurity, aerospace, and engineering. These **partnerships** can lead to innovative solutions and strengthen the overall French industrial base.

Additional co-benefit of financing Defence sector

Investments in the Defence industry lead to the creation of **highly-skilled job opportunities**. It provides employment opportunities for a wide range of professionals, including engineers, technicians, and researchers, contributing to **lower unemployment rates** and economic stability. The Defence industry requires specialized skills and advanced training and therefore provides high-value-added and paid jobs. Financing Defence projects promotes educational programs and partnerships with academic institutions, enhancing the skill levels of the workforce and fostering a culture of continuous learning and development.

The Defence sector drives **technological advancements** that can be applied to civilian industries. Innovations in areas such as cybersecurity, communication systems, and materials science lead to improvements in everyday life, creating societal benefits beyond the Defence sector. These dedicated investments stimulate economic activity in specific regions, particularly those with Defence manufacturing facilities. This leads to infrastructure development, improved local services, and overall economic growth in these areas. Fostering **collaboration between public institutions and private companies** is also an additional co-benefit⁽²⁰⁾⁽²¹⁾. These partnerships can lead to the creation of networks that foster innovation and economic development, benefiting society. **Bpifrance** support to Defence sector is a way to improve national resilience and preparedness for emergencies, including natural disasters and cyber threats. This preparedness protects communities and ensures that the society can recover quickly from disruptions.

⁽¹⁸⁾La loi de programmation militaire 2024-2030 : les grandes orientations | Ministère des Armées

⁽¹⁹⁾Press Release, Defence Expenditure of NATO countries (2014-2024), available [here](#)

⁽²⁰⁾EU Spring 2025 economic forecast, available [here](#)

⁽²¹⁾For a recent review of the synergies between Defence spending and economic dynamics, see the report from Ilzetzki, E. (2025). Guns and growth: The economic consequences of Defence buildups. Kiel Report No. 2, Kiel Institute for the World Economy (IfW Kiel).

The articulation between ESG and the Defence sector

In an international context marked by increasing tensions, Governments are intensifying their efforts to support the refinancing of the Defence industry. Several strategic initiatives are being implemented to ensure financing that is adapted to the challenges of the Defence sector. In other words, without solid Defence infrastructures, no stable and sustainable economic development is conceivable. Supporting the European Defence sector is a way to protect human rights, ensure security and safeguard freedom.

Bpifrance considers that ESG and sustainability considerations can help to minimize industrial Defence growth negative externalities and maximize positive co-benefits associated with sustainable supply chains, local high quality job creation and responsible technological innovation. Defence financing should be fostered if it is accompanied by stringent and robust practices in terms of identifying relevant counterparties, end-uses of financed services and products in strict compliance with international conventions and export procedures.

Bpifrance has been tackling these topics for many years and is capitalizing on its long-standing experience to develop this Framework. **Bpifrance** has implemented ESG exclusion and qualitative and quantitative restriction processes, in addition to ESG risk management processes in line with international treaties and national regulations within the European Union, for financing the Defence sector. The sustainable finance practices such as transparency and setting strict eligibility criteria, developed and implemented for many years by **Bpifrance** with its Green Bond Framework & Social Financing Framework, as well as European and national ESG regulations, provide a solid foundation for financing national and European Defence efforts.

The Defence sector therefore requires additional vigilance (impacts on human rights, political instability, corruption, metal pollution, organic contamination, high levels of carbon emissions). This is why, thanks to traditional due diligence processes and dedicated ESG processes, **Bpifrance** emphasizes governance principles such as anti-corruption, stakeholder consultation, and good corporate governance throughout the value chain.

Bpifrance does not seek to consider its European Defence Bonds as Sustainable Debt Instruments, in the meaning of aligned with ICMA Principles. The disclosure associated with Use-of-Proceeds bonds foster the transparency on Bpifrance's exposure and funding role vis-à-vis an essential sector, while also highlighting the various safeguards put in place to mitigate negative impacts.

Bpifrance wants to bring transparency on its continuum of solutions to support Defence Sector. Bpifrance European Defence Bond has the aim of being in line with the philosophy of a Use of proceeds bond by imparting traceability to the activities financed by the proceeds of those dedicated bonds.



02

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BPIFRANCE
EUROPEAN
DEFENCE BOND
FRAMEWORK

This document is the first **Bpifrance** European Defence Bond Framework (the «European Defence Bond Framework», or the “Framework”) to set out the principles applicable to the issuance of European Defence Bonds (the “Defence Bonds”, the “Instruments”) by **Bpifrance**.

Defence activities are not eligible to the Social Bond Principles (the «SBP») published by the International Capital Market Association in June 2023⁽²²⁾ and **Bpifrance** does not consider this framework as ICMA aligned. **Bpifrance** solely draws inspiration from the pillars of the ICMA principles to promote transparency in eligible and allocated financing for this essential sector, while emphasizing safeguards.

The net proceeds of the European Defence Bond issued, or to be issued, by **Bpifrance**, aim at supporting Defence Sector companies by financing or by providing tools to defend European sovereignty against global threats. Strict eligible criteria are disclosed under this framework in addition to exclusions list.

Under this European Defence Bond Framework, **Bpifrance** can issue Standard Defence Use of Proceeds Bonds representing unsecured debt obligations of Bpifrance with full recourse to the issuer and guaranteed by EPIC Bpifrance.

To ensure these engagements, **Bpifrance** will be the issuing entity of the European Defence Bond, as well as the originator and the manager of the loans financed or refinanced by such Defence Bond. The Instruments issued under this Defence Bond Framework will be subject to **Bpifrance**’s general policies in terms of financial and liquidity risk management.

Use of Proceeds

An amount equivalent to **Bpifrance** European Defence Bond’ net proceeds will be allocated to the financing and/or re-financing, in whole or in part, of new or existing projects as defined below as Eligible Defence Projects Categories and related Eligible Defence Projects Criteria.

In addition, **Bpifrance** European Defence Bond will apply the following financing principles:

- The Eligible Defence Projects (to be considered as loans or expenditures) are mostly targeted at firms operating in France but could benefit to European companies in EU member countries, Ukraine, Montenegro or the United-Kingdom.
- In addition, loans financing Eligible Defence Projects may be pledged as collateral against another funding instrument and loans that have been pledged as collateral against another funding instrument may be refinanced through a Defence Bond.

The proceeds of the European Defence Bond issued under this Framework will be managed on a disbursement basis (see section 2.3 Management of Proceeds for further details) with the distribution of allocated Eligible Defence Projects by category to be transparently shared to investors as soon as possible or at latest the year after the issuance.

Bpifrance European Defence Bond Framework aims at financing companies involved in the Defence sector, either by nature of their activity or by virtue of their importance with respect to European sovereignty and security. Eligible Defence Projects Categories are defined by strict Eligible Defence Projects Criteria.

⁽²²⁾Social Bond Principles – ICMA 2023: Social-Bond-Principles-SBP-June-2023-220623.pdf

Eligible Defence Projects Categories and Criteria:

Eligible Defence Projects Categories	Eligible Defence Projects Criteria		Objectives
	Type of Eligible Defence Projects	Description of Eligible Defence Projects	
Defence dedicated loans offer	<p>- Loans identified as “DEF”FI”, loans (2 to 7 years maturity with 0 to 24-month grace period, which may amount to up to €1m) dedicated to MSMEs⁽²³⁾ created since at least 3 years, active in the Defence industry, and disbursed after 01/01/2025.</p> <p>- Or any loans to be disbursed by Bpifrance related to support SMEs that have similar characteristics as “DEF”FI” loans.</p> <p>Those loans are or will be pre-qualified by the <i>Directorate General of Armaments</i> “DGA” by a dedicated process.</p>	<p>Targeted borrowers, from a company which is:</p> <ul style="list-style-type: none"> • Either located in one of the employment zones specified as eligible by the Ministry of Defence (DGA). • Either a direct or indirect supplier to the Ministry of Defence. • Either judged as strategic by the Ministry of Defence or belonging to its industrial and technological base. • Able to receive state aid under the “de minimis” regime. <p>Dedicated process with DGA:</p> <ul style="list-style-type: none"> • Bpifrance can be directly contacted by the DGA for a dedicated loan offer for a company that has already been approved through their internal process. • Alternatively, a Bpifrance account manager could contact Bpifrance Headquarters for a loan request from a Defence sector company, Bpifrance would then contact the DGA to determine if the company’s activities are eligible. 	Provide direct lending for companies or project considered strategic for national security according to the French State.
Loans to companies from the French Defence Technological and Industrial Base (DTIB)	<p>- Corporate purpose loans or project loans to companies identified as part of the DTIB by the DGA (confidential list) and considered as critical and strategic.</p>	<p>The DTIB consists of industrial companies as well as service companies that the Directorate of Defence Intelligence and Security (DRSD), the intelligence service of the Minister of Armed Forces, considers strategic for the present or future Defence industry.</p> <p>The list of companies constituting the DTIB is not public. The list is frequently updated and companies that are integrated into it, enter or leave it, are not informed. As a French Agency, directly in contact with the French Minister of Armed Forces, Bpifrance has a dedicated attention on maintaining an internal list updated and in line with requirements. On a case-by-case basis Bpifrance could ask for an update on any specific company and DGA provides information on the eligibility.</p> <p>Scope of borrowers, from a company which is:</p> <ul style="list-style-type: none"> • Either a MSME or a Mid Cap⁽²⁴⁾ considered as critical and strategic by being part of the DTIB list. 	Preserve financing to strategic companies whose unique capabilities (expertise and know-how) and capacities (volumes of production) are of critical importance to Defence programs.

⁽²³⁾**Bpifrance** uses the European Union definition of MSMEs set out in EU Commission Recommendation 2003/361/EC as updated from time to time. According to this, MSMEs have up to 249 employees and an annual turnover not exceeding € 50 million or a balance sheet total not exceeding € 43 million.

⁽²⁴⁾Micro, small, medium sized enterprises (MSMEs): “Micro” companies: less than 10 employees with an annual turnover below €2m or a total balance sheet less than €2m; “Small” companies: less than 50 employees with a turnover below €10m or a total balance sheet of €10m; “Medium” companies: less than 250 employees with a turnover below €50m or a total balance sheet of €43m. Small Mid Cap (“ETIs”): For “ETIs”, referred as Small Mid Cap, **Bpifrance** uses the French definition set out in decree 2008-1354 of the “Loi de modernisation de l’économie”(LME).

Eligible Defence Projects Categories	Eligible Defence Projects Criteria		Objectives
	Type of Eligible Defence Projects	Description of Eligible Defence Projects	
Loans to firms members of Defence related trade associations (GICAT, GIFAS, GICAN companies)	Loans to firms members of Defence related trade associations (GICAT, GIFAS, GICAN companies) - Corporate purpose loans or project loans to companies registered at GICAT, GIFAS, GICAN (public list).	<ul style="list-style-type: none"> • GICAT⁽²⁵⁾ • GIFAS⁽²⁶⁾ • GICAN⁽²⁷⁾ <p>Members of GICAT, GIFAS, GICAN are rarely pure-players and being a member of those groups depends on several factors decided by the groups themselves. Bpifrance will monitor annually the list of companies and will allocate loan according to their membership on the Allocation Report Date.</p>	Support jobs creation, skills development and the resiliency of the value chain of the French Defence industry.
Export loans focus on Defence	<p>- Loans identified as “Prêt Export Acheteur” and as “Prêt Export Rachat”, loans (2 to 7 years maturity which may amount to up to €25m) dedicated to Defence purpose.</p> <p>- Or any loans to be disbursed by Bpifrance related to export that have similar characteristics as loans identified in the list above.</p>	<p>A loan-by-loan assessment is made to assure that the purpose of the loan is Defence related.</p> <p>Where export process has been completed (see more details in 2.2 Process for Project Evaluation and Selection selection).</p> <p>And where the importing entity is located in the countries of the European Union, the United Kingdom, Ukraine, and Montenegro and where the exporting entity is located in France.</p>	<p>Help maintain and expand European influence in the global Defence market, securing strategic partnerships and contracts.</p> <p>Strengthen synergies and collaboration between European countries and companies.</p>
“Diag Cybersécurité Défense” expenditures	- Annual expenses supported directly by Bpifrance in line with the “Diag Cybersecrété Défense” programs Targeted companies are engaged in activities related to the Defence sector and pre-qualified by the DGA.	<ul style="list-style-type: none"> • Annual expenditures related to “Diag Cybersécurité Défense” diagnostic and supported by Bpifrance, this diagnostic targets DTIB SMEs (this diagnostic consists of a consulting service provided by a specialized expert to assess the company’s level of Cyber maturity, identify its main vulnerabilities, and determine an action plan to address them, see detailed explanations in section 1.2. Financing Defence Sector: to foster European Sovereignty, Innovation and Economic Competitiveness). 	<p>Help companies in the Defence sector to:</p> <p>(i) assess Risks on critical assets or potential threats</p> <p>(ii) create an action plan</p>

⁽²⁵⁾ Accueil – GICAT – Groupement des Industries françaises de Défense et de Sécurité terrestres et aéroterrestres

⁽²⁶⁾ GIFAS – Groupe des Équipementiers Aéronautiques, de Défense et Spatiaux

⁽²⁷⁾ GICAN – Groupement des Industries de Construction et Activités Navales – the French Maritime Industry Association

To demonstrate consistency in selecting Defence Projects, **Bpifrance** has defined an exclusion list. Thus, the following sectors may not be financed and/or refinanced by **Bpifrance** European Defence Bonds' proceeds.

Exclusion criteria for Bpifrance European Defence Bonds

In accordance with French law, **Bpifrance** does not participate in the financing of:

- non-conventional weapons and, as such, does not finance companies
- involved in:
 - the manufacturing, storage, or marketing of anti-personnel mines;
 - cluster bombs;
 - nuclear weapons (outside of the NPT⁽²⁸⁾);
 - chemical weapons;
 - biological weapons;
 - and laser weapons explicitly designed to cause permanent blindness.

Non-Conventional Weapons refers to non-classical armament, often termed weapons of mass destruction in the sense that their effects are difficult to control and contain (e.g., power or dissemination in the environment). The types of armaments covered are subject to international treaties signed by France⁽²⁹⁾. The exclusion covers «the production, storage, distribution, commercialization, or use of non-conventional weapons».

- other controversial activities:

- Tobacco
 - Fossil fuels
 - Speculation on food commodities
 - Gambling
 - Pornography
- companies in the fossil fuel sector:

- **Bpifrance** does not invest in or finance companies that produce or develop exploration or infrastructure projects in the fields of extraction, production and transportation (pipeline / gas pipeline) of fossil hydrocarbons (oil and natural gas, conventional or non-conventional), except when an investment or financing is targeted at a project or subsidiary dedicated to renewable energies
- **Bpifrance** has committed, alongside the Caisse des Dépôts Group, to capping financing and investments in sectors exposed to fossil energies. With regard to thermal coal, the Group has committed to achieving zero exposure to thermal coal for its investment and financing portfolios by 2030 in OECD countries, and by 2040 in the rest of the world. Thus, **Bpifrance** is removing from its investment and financing portfolios:
 - 1. Since 2021, companies whose business is exposed at more than 5% of turnover to thermal coal;
 - 2. Companies developing new coal-fired power stations (threshold 300MW of new capacity) or new mines and infrastructure dedicated to coal;
 - 3. Mining companies whose annual thermal coal production volume exceeds 10Mt;
 - 4. Energy suppliers whose electricity production capacity from coal exceeds 10GW.

⁽²⁸⁾ Nuclear Non-Proliferation Treaty

⁽²⁹⁾ Convention on the Prohibition of Chemical Weapons (CWC) of 1997; Convention on the Prohibition of Biological Weapons (BWC) of 1975; Oslo Convention (or Convention on Cluster Munitions) signed by France on December 3, 2008; Ottawa Treaty (or Convention on the Prohibition of Anti-Personnel Mines), signed on December 3 and 4, 1997 by 122 states including France; Protocol IV on Blinding Laser Weapons of October 13, 1995 of the Convention on Certain Conventional Weapons (CCW) of 1980.

- Regarding non-conventional sources of energy, **Bpifrance** undertakes to attain, prior to 2050, zero exposure to non-conventional hydrocarbons and to regularly re-examine this exit date in order to bring it forward. It is removing from its investment portfolios and financing:
 - 1. Companies⁽³⁰⁾ generating over 10% of their turnover from non-conventional hydrocarbons: oil sands, and Arctic or hydraulic fracturing resources, except when financing targets a project or subsidiary dedicated to renewable energies;
 - 2. Direct financing of exploration infrastructure and projects dedicated to these non-conventional hydrocarbons.
- Regarding the capping of conventional oil and gas, **Bpifrance** is excluding the following from its investment portfolios and direct financing:
 - 1. The development of new oil or gas projects (upstream)⁽³¹⁾;
 - 2. Transport infrastructure associated with these new projects.

In accordance with **Bpifrance** legal practices, additional Eligible Defence Projects will be incorporated to **Bpifrance** Base Prospectus.

In addition, **Bpifrance** will not finance and/or refinance Eligible Defence Projects that would have been bearing material controversies based on a reliable source.

Process for Project Evaluation and Selection

Bpifrance has strong expertise, as shown by its long-standing track record, in originating medium and long-term financing solutions. **Bpifrance** prioritizes very small businesses and small and medium sized businesses, that traditionally find it difficult to get financing due to their size or risk profile, and mid-cap companies. The evaluation and selection of these financing solutions are conducted in accordance with **Bpifrance** societal responsibility and strategic plan.

All Eligible Defence Projects will be submitted to **Bpifrance's** regular underwriting process. As a credit establishment approved by the *Autorité de Contrôle Prudentiel et de Résolution (ACPR)*, **Bpifrance** is subjected to the provisions of the French *Code Monétaire et Financier* and the decree of 3 November 2014, relating to the internal control of banking sector companies, of the Consultative Committee on Legislation and Financial Regulation regarding internal control.

Accordingly, **Bpifrance's** credit risk policy is closely monitored and is established by its risk division. All financings are granted following a strict approval process through its support decision tool ("*Outil d'Aide à la Décision*") which:

- 1. centralises in a single tool the studies of all the financing projects submitted to **Bpifrance**;
- 2. determines the risk profile of the credit files based on the project and the counterparty;
- 3. provides an audit trail of the decision-making process.

Decision-making powers within **Bpifrance** are organised in such a way that the riskiest and/or high-volume cases are submitted through the headquarters' decision process (i.e., reviewed by the risk division and for the most sensitive credit files, reviewed by **Bpifrance's** Credit Committees).

⁽³⁰⁾Excluding companies supplying products and services (so-called oil and gas-related companies) and excluding Green Bonds, Sustainable Bonds and Social Bonds, and excluding companies primarily focusing on the transportation, storage and distribution of gas in France and bordering countries whose activities are regulated obligating them to non-discrimination in access to their infrastructure. The CDC Group encourages the latter to do their utmost to limit exposure to non-conventional energies and requires them to publish the share of their activities resulting from these resources.

⁽³¹⁾New oil or gas projects is defined as projects to be launched related to extraction and production; with the exception of a company developing mine gas in France to reduce methane emissions

For Export credit, **Bpifrance** has a dedicated team performing an environmental and social assessment. This assessment is framed by OECD recommendations and aims to ensure that projects comply with the local regulations and the relevant international standards, mainly those developed by the World Bank and the International Finance Corporation.

- World Bank Environmental and Social Standards;
- World Bank Safeguard Policies;
- IFC Performance Standards;
- World Bank Group Environmental, Health and Safety (EHS) Guidelines.

As required by the OECD Guidelines, environmental and social due diligence are performed at the project level. In case of a project demonstrating significant potential impacts, then additional E&S impact assessment, monitoring and action plan will be required.

The control of arms exports in France is a complex process that involves a thorough risk assessment and coordination between several ministries to ensure that exports comply with national and international laws.

- **Legislative and Regulatory Framework:** Arms exports are regulated by the Defence Code and other specific regulations. France also adheres to international norms, including the Arms Trade Treaty (ATT) and the European Union Common Position on arms exports.
- **Prior Authorization:** Any export of military and Defence equipment requires prior authorization from the government. Companies must apply for an export license for each transaction.
- **File Processing:** License applications are processed by the Service of Dual-Use Goods (SBDU) and the Directorate General of Armaments (DGA). These agencies evaluate applications based on strict criteria, including:
 - Compliance with international embargos;
 - Risks of diversion to unauthorized users;
 - Respect for human rights in the destination country;
 - The internal situation of the importing country, particularly in terms of stability and human rights.
- **Inter-ministerial Consultation:** The decision-making process involves several ministries, including the Ministry of Armed Forces, the Ministry of Foreign Affairs, and the Ministry of Economy. These ministries consult together to ensure that exports comply with national interests and international obligations.
- **Monitoring and Control:** Once authorization is granted, exports are monitored to ensure they comply with the license conditions. Inspections can be carried out to verify that the weapons are not diverted from their intended destination.
- **Reports and Transparency:** France regularly publishes reports on arms exports, detailing the volumes and destinations of authorized exports. These reports are publicly accessible and contribute to the transparency of the process.

As formalized in its ethics charter, all projects financed by **Bpifrance** comply with laws in force, including with applicable regulatory environmental and social requirements. In addition, **Bpifrance** respects all international conventions signed by France, encompassing human rights, workforce health and safety, labour standards (e.g. International Labour Organization's core labour conventions).

For its financing division, which targets mainly entities and entrepreneurs located in France and under the French legislation system, **Bpifrance** relies first on the French regulatory framework in addition to internal CSR practices on ESG risks assessment described above. Indeed, France is a Designated Country under the Equator principles⁽³²⁾, which demonstrates the presence of environmental and social governance, legislation systems and institutional capacity designed to protect people and the natural environment.

⁽³²⁾<https://equator-principles.com/>

In the Sustainability risk policy of **Bpifrance**, the social criteria include the attention paid to:

- anti-bribery and corruption policies;
- regulatory requirements to protect whistleblowers;
- employee health and safety and quality of life at work;
- training and career support, diversity, and irrelevant recruitment policies;
- the social dialogue and remuneration policies that are at odds with expectations and practices.

These criteria are also considered major by **Bpifrance**, which considers human resources as the organisation's primary asset, emphasis on people and social dialogue as a means for progress and problem solving.

Bpifrance acts under the French Laws, which put in place heavy regulatory requirements for Defence funding in France. Some key reference documents, notably the Military Programming Law (LPM) and the annual state budget voted by the Parliament are stringent.

- **Military Programming Law (LPM):** This law sets orientations and priorities for Defence over a multi-year period (usually 5 years). It defines the financial resources allocated to the armed forces and the major objectives in terms of military capabilities, equipment modernization, and operational readiness.
- **Annual Defence Budget:** Each year, the French Parliament votes on the state budget, which includes Defence funding. This budget is detailed in the Finance Law and specifies the credits allocated to various Defence programs.
- **Parliamentary Oversight:** Parliamentarians exercise oversight over the implementation of the LPM and the Defence budget. They can question the government, request reports, and organize hearings to ensure that funds are used according to the set objectives.
- **Specific Regulations:** Specific regulations may also define particular aspects of Defence funding, such as procedures for acquiring military equipment, rules for managing human resources in the armed forces, and protocols for international Defence cooperation.

For companies and projects outside of France, in other European countries as defined in this document, **Bpifrance** will also use the regional and national regulations to cover and restrict the risks related to the exports of Defence activities and its end-users. Equivalent laws and processes exist in European countries to regulate exports related to Defence activities, in addition to international treaties signed by these countries. Key texts include:

- Council Common Position 2008/944/CFSP of December 8, 2008 defining common rules governing control of exports of military technology and equipment
- Regulation (EU) 2021/821 of the European Parliament and of the Council of May 20, 2021, establishing a Union regime for the control of exports, brokering, technical assistance, transit and transfer of dual-use items

In addition to these texts, there are also international treaties signed by European Union countries, such as the United Nations Arms Trade Treaty (ATT), multilateral agreement such as Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies⁽³³⁾ the UN and EU arms embargoes.

⁽³³⁾<https://www.wassenaar.org/>

Management of Proceeds

The proceeds of the European Defence Bond issued under this Framework will be managed in a bond-by-bond approach. **Bpifrance's** treasury team will be responsible for the management of the net proceeds of the European Defence Bond, to ensure that an amount equal to such proceeds is effectively invested in the financing and/or re-financing of Eligible Defence Projects.

The net proceeds of the European Defence Bond will be deposited in **Bpifrance's** general account and an amount equal to the net proceeds will be earmarked for allocation to Eligible Defence Projects, in accordance with the principles outlined in this Framework. The Eligible Defence Projects will be consolidated in **Bpifrance's** balance sheet under the IFRS accounting standards. All relevant information regarding the issuance of **Bpifrance's** European Defence Bond will be monitored and kept into **Bpifrance's** accounting systems.

Bond by Bond approach based on current project balance at Allocation Report Date

Bpifrance will allocate the proceeds of the European Defence Bond as soon as possible and will report annually on the allocation until full allocation.

The allocation report date will be used to consider the current loan balance and the current expenditure on the Eligible Defence Projects. To be noted that the allocation report date could not be an end of year date.

Unallocated Proceeds

In the unlikely case of insufficient Eligible Defence Projects, Unallocated Proceeds will be managed by **Bpifrance's** treasury team in compliance with the procedures and internal policies regarding liquidity management, to ensure that the funds are invested in liquid, short-term and certain investments, until Eligible Defence Projects are added to the bond allocation. For the avoidance of doubt, such Unallocated Proceeds will not be invested in GHG intensive activities⁽³⁴⁾ or activities listed in the exclusion list stated in section 2.1 of this Social Financing Framework.

The internal methods for earmarking and allocating an amount equivalent to the net proceeds from the issuances of **Bpifrance** European Defence Bonds will be reviewed by **Bpifrance's** Permanent Control Department.

Coupon and final redemption payments

Coupon payments and final redemption of **Bpifrance** European Defence Bonds are not directly linked to any associated Eligible French Defence Projects, as the interest payments periods and maturities may not match. Thus, coupons and final redemption payments of European Defence Bonds are paid out of **Bpifrance's** general liquidity pool at its sole discretion.

Increases and buy-backs

European Defence Bonds can be increased and further European Defence Bonds can be issued, if the net proceeds of the relevant issuances are used for financing and/or refinancing of Eligible French Defence Project. Partial or whole buybacks of European Defence Bonds are possible to support **Bpifrance's** funding program. Buybacks can also be financed from **Bpifrance's** general liquidity.

⁽³⁴⁾ GHG intensive activities include Manufacture of gas; distribution of gaseous fuels through mains; Wholesale on a fee or contract basis for agents involved in the sale of fuels, ores, metals and industrial chemicals; Manufacture of coke and refined petroleum products; Processing of nuclear fuel

Reporting

Bpifrance will publish an allocation and an output/outcome reports as soon as possible and at the latest by the end of the year following the issuance. If full allocation is not made until the end of the calendar year, an allocation report will be published annually until full allocation. This report will be published on **Bpifrance**'s website.

Allocation Report

The Allocation Report will include, but not be limited to, the following information:

- Financial information on the **Bpifrance**'s European Defence Bond (ISIN, currency, amount, etc)
- Overview of the portfolio of Eligible Defence Projects (including a split between Eligible Defence Projects Categories), and their average remaining term
- Breakdown of the portfolio of Eligible Defence Projects at origination and allocated balance:
 - By type of Eligible Defence Projects
 - By number of Loans
 - By sector of activity/industry classification
 - By maturity
 - By year of origination
 - By remaining term
 - By loan size
 - By region
 - By borrower activity
 - By borrower NACE Code.
- The portion of new financing added to the portfolio

Output/Outcome report

The Output/Outcome Report will include, but not be limited to, the following information:

- Number of jobs supported
- Number of SME and or Small Mid Cap
- Number of companies which have been accelerated by **Bpifrance**
- Number of filed patents by innovative companies
- Percentage of members of trades associations supported
- Type of activity (Ground, marine, air, electronic, cyber, space, etc.) when available⁽³⁵⁾

Review

Internal audit – post issuance

The report will be reviewed by **Bpifrance**'s Permanent Control Department, which will be in charge to ensure the:

- Compliance of the projects with the framework.

⁽³⁵⁾For the avoidance of doubt, **Bpifrance** does not claim any impact indicators with this output/outcome report.

- Existence of an audit trail of the tables and graphic elements presented in the annual report.
- Quality of data used in the audit trail;
- Existence of first level controls over the portfolio of financed or refinanced Eligible Projects.

Documents and Websites

Bpifrance provides information regarding funding on its website, Investor Relations | **Bpifrance**, including:

- **Bpifrance** European Defence Bond Framework
- Debt Investor Presentation
- **Bpifrance** European Defence Bond Allocation & Output/Outcome Report



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