CRÉDIT AGRICOLE

Crédit Agricole Group CSR Sector Policy - Metals and Mining Sector – March 2020

1. Scope

This policy covers the mining and metals sector on the following activities within the Crédit Agricole Group (the "**Bank**"):

- Financing dedicated to projects (project financing, buyer credits, advisory mandates, etc.) and non-dedicated financing (general purpose financing): "dedicated and non-dedicated financing services"
- Equity investments: "investments"
- Active and passive asset management: "asset management"
- Property insurance: "insurance"

For the purposes of this policy, the mining and metals sector covers (i) the exploration and mining of metal ores (ferrous, non-ferrous, precious, uranium, etc.) or non-metal ores (coal, phosphate, potash, etc.), (ii) the transport of ores from the mine site to the port of export, and (iii) the conversion of ores into primary metals or products (mineral processing, heap leaching, primary metallurgy) but excludes recycling and metalworking activities[1].

The Bank's dedicated financing services related to the development, construction, or expansion of a mining or metallurgical facility are covered by sections 4 and 5 of the Policy.

Other forms of involvement pertaining to mining or metallurgical companies are covered by section 6 of the Policy.

Only those activities carried out by the Bank starting from the date of publication of the Policy are concerned. <u>Existing commitments as well as all activities that have already been contracted or where commercial negotiations are at an advanced stage are excluded.</u>

This Policy will be reviewed periodically, particularly on the basis of the recommendations of the Scientific Committee established by the Group.

2. Issues and objectives of the Policy

Metals are primarily used for production of capital or consumer goods. Uranium and coal are also important primary energy sources for electricity generation. Lastly, other mineral substances such as phosphates and potash are necessary for agriculture and the chemical industry. The mining industry therefore appears to be essential to the economy.

However, mining and metallurgical activities can produce critical negative environmental and social impacts. These include, in particular, greenhouse gas emissions, impacts on biodiversity (impacts on natural or critical habitats and ecosystem services), and social impacts (physical and economic population displacements, community health and safety).

Recycling has become a very important source of metals. Significant savings measures are taken by agriculture and the chemical industry concerning the use of non-metallic resources (notably fertilizers). However, these measures do not make it possible to go without a primary source of raw materials, and

[1] Metalworking covers, in particular, the production of metal parts for the construction industries (e.g. aluminium foundries for the automotive industry and steel rolling mills)

mining production is therefore necessary[2] even if its level of production depends on political choices (recycling requirements, energy policies, etc.). It is therefore essential for environmental and social aspects to be properly assessed and managed. Similarly, good governance is a critical factor for the extractive industry to contribute sustainably to the economic growth of producing countries.

Coal raises a particular dilemma to the extent that, while a significant share of the global energy mix is still based on its combustion, the current development of the coal industry seems incompatible with the international agreement to combat climate change.[3]

This Policy supplements the energy policies of States and the investment policies of the Bank's clients and is not intended to replace them. It aims to specify the Bank's CSR[4] criteria in the metals and mining sector and the Bank's conditions of involvement based on the identified societal issues. It supplements the implementation of the Equator Principles within their scope.

3. Frame of reference

The Bank's activities in this sector will be analysed taking into account the identified issues and, in particular, the work and standards resulting from the following conventions, initiatives, or institutions:

- The International Council on Mining and Metals (ICMM)
- The standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and Environmental, Health, and Safety Guidelines
- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas relative to tin, tantalum, tungsten, their ores and mineral derivatives, and gold
- The rules adopted by the US Securities and Exchange Commission (SEC) and the principles proposed by the European Union (EU) Parliament on the disclosure of payments by resource extraction issuers
- The International Cyanide Management Code for the gold mining industry
- The Kimberley Process for the diamond industry
- The ITRI Tin Supply Chain Initiative (ITSCI) for tin minerals traceability in central Africa
- The World Nuclear Association (WNA) Sustaining Global Best Practices in Uranium Mining and Processing
- The Extractive Industries Transparency Initiative (EITI)
- The Voluntary Principles on Security and Human Rights

4. Exclusion criteria

The Bank will not support the following activities:

- Thermal coal mining;
- Asbestos mining;
- Artisanal mining;
- Activities that have a critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention;
- Activities located within a UNESCO World Heritage site or a site meeting the criteria for designation by the Alliance for Zero Extinction (AZE).

Furthermore, with regard to dedicated financing activities, the Bank will also abstain from transactions when a risk of material non-compliance has been identified and the bank has not received, in its opinion, satisfactory answers with respect to:

- The IFC Performance Standards (or equivalent standards for cofinancing with an export credit agency or a multilateral institution) or the IFC Environment, Health, and Safety Guidelines, in

[2] The global growth of industrial production and the average lifetime of goods affect the need for a primary source of metals.
[3] Cf. the Group's work with the International Panel on Climate Change and in particular volume 3 of the IPCC 5th Assessment Report.
[4] Corporate Social Responsibility

particular with respect to the ESMS, protection of the fundamental rights of workers, population displacements, management of wastelands, closure and restoration plans, biodiversity conservation, impact on critical natural habitats, consent of indigenous peoples, and protection of cultural heritage
- The relevant initiatives listed in section 3 (International Cyanide Management Code for gold mining, Kimberley Process for diamonds, ISTCI for tin minerals, WNA Sustaining Global Best Practices for uranium)
- Public consultation or, where applicable, consent of affected indigenous peoples
- Inter-State consultations in the event of major cross-border impacts

5. Dedicated financing

1. Analysis criteria

The Bank will analyse every financing operation associated with construction or expansion of a metal or mining facility according to the following criteria:

Capacity and commitment of the project or client to engage with stakeholders and manage environmental and social risks:
- Quality of the environmental and social impacts assessment
- Quality of the plans for managing these various impacts
- Quality of accident management plans (in particular, hazardous substances spill preparedness plan)
- Consultation of affected populations and, where appropriate, consent of indigenous peoples
- Establishment of a grievance mechanism at the project level
- Disclosure of relevant information (including the payment of revenues to governments according to EITI, SEC, and EU principles and rules)
- Inter-State consultations in the event of cross-border impacts

Environmental commitments:
- Potential impacts on biodiversity and eco-services
- Pollutant emissions (including management of wastelands and greenhouse gas emissions)
- Management of water resources
- Mine site closure and restoration plan

Social and human rights commitments:
- Labour rights and working conditions including compliance with the International Labour Organization (ILO) core conventions[5]
- Community health and safety
- Impact on local communities (physical or economic population displacements)
- Rights of indigenous peoples on traditional lands
- Origin and conditions of production of ores in the case of processing facilities (traceability processes)
- Impact on cultural heritage

The quality of the assessment and management of these impacts will be measured against the IFC Performance Standards and the relevant Environmental, Health, and Safety Guidelines, with particular emphasis on whether the client has established and maintains an Environmental and Social Management System (ESMS) commensurate with the level of its environmental and social risks and impacts and aimed at monitoring impacts and mitigation measures over time.

Due to the many issues raised, the Bank will assume that artisanal mines do not comply with IFC Performance Standards.

[5] ILO's 8 core conventions relate to elimination of forced and compulsory labour (C29 and C105), effective abolition of child labour (C138 and C182), elimination of discrimination in employment and occupation (C100 and C111), and freedom of association and effective recognition of the right to collective bargaining (C87 and C98).

Asbestos mining projects also raise critical social issues due to the lack of regulation for the use of asbestos in some countries.

Concerning existing assets, the analysis will focus on the management plans and will seek to determine identify any material gapwith respect to the standards mentioned above.

2. Implementation

All transactions will be assessed against all the analysis criteria above, and the Bank will seek to determine whether an exclusion criterion exists.

If an exclusion situation is identified or if the outcome of the general analysis is negative, the Bank will not participate in the transaction. Any potential exceptional situation will be handled in accordance with section 8 below.

Compliance with the environmental and social impact management plans will be monitored in cooperation with the Bank's CSR specialists from the beginning of the transaction and throughout the life of the financing as part of the transaction's annual review process.

Where the involvement is an advisory mandate, the Bank will seek to promote the principles included in this Policy. The Bank will not accept an advisory mandate if it is aware of the confirmed, definitive existence of an exclusion criterion. During the course of the mandate, if it appears that the project contradicts the principles of this Policy, the Bank will not participate in the considered financing.

6. Other modes involvement

This paragraph applies to non-dedicated financing, investments, asset management, and insurance for clients significantly active in mining.

The Bank expects its clients to develop good practices and behaviour to limit their environmental & social impacts in accordance with sections 4 and 5 of this Policy, to adhere to industry good practice principles (such as those defined by the ICMM or the World Bank group and the relevant industry initiatives), and to respect the principles and rules adopted by the OECD, SEC, and EU with respect to payment disclosure and responsible supply chains.

With regard to non-dedicated financing activities, the client's policy will be assessed against the principles of the Bank's Policy during the annual review of the system. Support for the principles of the ICMM and the EITI and the relevant initiatives listed in section 3 or membership in these organizations or initiatives will be a strong consideration. The analysis will also assess whether the client monitors climate impacts, implements mitigation measures and is publicly reporting on these aspects (website, annual report[6], etc.). In particular, the Bank will not develop a relationship with companies significantly involved in asbestos or artisanal mining activities.

With regard to investments, asset management, and insurance, decisions will take into account the general analysis of the non-financial performance of companies as well as the possible existence of exclusion criteria.

Special case of thermal coal mines:

The Bank expects its clients to develop a climate-friendly transition path and provide by 2021 a phasing out plan of the coal industry. This plan will have to comply with the recommendations of climate science involving an exit in 2030 for EU and OECD countries and in 2040 for the rest of the world.

In particular, the Bank will not develop a relationship with companies that generate more than 25% of their turnover in the thermal coal industry and have not adopted a transition strategy consistent with the objectives of the Paris Agreement.

[6] Reporting according to the Global Reporting Initiative (GRI) is considered as a good practice.

Companies that have no coherent climate-friendly transition path and fail to provide a coal phasing out plan by 2021 will be placed in a watchlist portfolio, which will limit the financial services made available to them to the financing of, and investment in, energy transition.

Furthermore, due to the incompatibility of global climate objectives and the continued development of the thermal coal industry, the Bank will not enter into relationships with companies developing or planning to develop new thermal coal capacities (excluding specific contracts related to the social protection of employees). For clients in the portfolio as of the date of publication of the policy, a transitional process is in place to allow time for adjustment[7].

In the event of a significant discrepancy between the client's policies and the Bank's policies or when entering into a relationship with a new counterparty falling within the scope of the Policy, the file will be examined according to the decision-making processes in place within the Group entity concerned and, in the event of a Group impact, referred to the Group's Operational Steering Committee for an opinion.

These assessments will be based on public information or information communicated to the Bank by the client.

7. Exceptional circumstances

Transactions that present uncertainty with respect to compliance with the Policy will be reviewed according to the decision-making processes in place within the Group entity concerned and, in the event of an impact at Group level, referred to the Crédit Agricole Group's Operational Steering Committee for an opinion.

8. References and glossary

International Council on Mining and Metals (ICMM):
htpp://www.icmm.com/en

Extractive Industries Transparency Initiative (EITI):
http://eiti.org/

IFC Performance Standards and Environmental, Health, and Safety Guidelines:
https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Document.pdf?MOD=AJPERES&CVID=jkV-X6h
and
https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:
https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf

Rules adopted by the US Securities and Exchange Commission (SEC) on disclosure of payments:
http://www.sec.gov/news/press/2012/2012-164.htm

International Cyanide Management Code for the gold mining industry:
http://www.cyanidecode.org/

Kimberley Process:
https://www.kimberleyprocess.com

ITRI Tin Supply Chain Initiative (ITSCI):
https://www.internationaltin.org/

[7] Cf. appendix "Methodology note – Thermal coal"

World Nuclear Association Sustaining Global Best Practices in Uranium Mining and Processing: http://www.world-nuclear.org/uploadedFiles/org/WNA/Publications/WNA_Position_Statements/PD-UraniumMining.pdf

Voluntary Principles on Security and Human Rights: http://www.voluntaryprinciples.org/wp-content/uploads/2019/12/TheVoluntaryPrinciples.pdf

Wetlands of international importance covered by the Ramsar Convention: https://rsis.ramsar.org/?language=en

UNESCO World Heritage sites: http://whc.unesco.org/en/list/

Alliance for Zero Extinction https://zeroextinction.org/

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APPENDIX – Crédit Agricole Group CSR Sector Policies – Mining, coal-fired thermal power plants, and transport infrastructure

- Methodology note – Thermal coal – March 2020

I. Scope

The purpose of this appendix is to describe the methodology for applying thermal coal aspects within the following sector policies:
- Mining and metals
- Transport infrastructure
- Coal-fired power plants

The following activities are covered within the Crédit Agricole Group (the "**Bank**"):
- Financing dedicated to projects (project financing, buyer credits, advisory mandates, etc.) and non-dedicated financing (general purpose financing): "dedicated and non-dedicated financing services"
- Equity investments: "investments"
- Active and passive asset management: "asset management"
- Property insurance: "insurance"

II. Context

The commitments made by the Crédit Agricole Group on thermal coal, in particular as part of its climate strategy published in June 2019, reflect its willingness to adopt a climate-friendly transition path and to support its clients along this same path.

With this in mind, the Bank's approach is to calibrate its level of commitment to client relations according to **the company's turnover from thermal coal and its willingness to define and follow a transition path**.

III. Methodology

The Bank expects its clients to develop a climate-friendly transition path: for all companies involved in the coal industry, this must include the implementation of a diversification strategy and the communication by 2021 of a coal phasing out plan.

A specific process is put in place for companies generating more than 25% of their consolidated turnover from thermal coal.

- For companies below the threshold, all financial services remain possible.

- **For companies above the 25% threshold, the Bank's level of support will depend on the transition path.** This path will be analysed at the group level across the scope, in particular when renewing contracts or entering into a relationship on financing activities.

  The transition path will be assessed starting in 2021 on the basis of the transition scoring developed by the Group on all its counterparties, including the existence of a coal phasing out plan as a decisive factor.

  In the meantime, it is assessed by each Group entity according to their current methodology on the basis of the data available to them. The transition path will have to be materialized at least by the existence of a diversification strategy, demonstration of the desire to exit coal industry, or a commitment to reduce the absolute share of coal in the company's activities.

Companies are placed under close monitoring, which involves an escalation in the decision-making level and an examination before any new dedicated and non-dedicated financing.

For companies on a transition path, all financial services can be considered. In case of doubt, the recommendation to terminate general-purpose services may be made after the analysis. With regard to asset management and investments, an engagement policy may be pursued for active management.

Companies that have no coherent climate-friendly transition path and fail to provide a coal exit plan by 2021 will be placed in a watchlist portfolio, which will limit the financial services available to them to energy transition financing and investment projects.

In the event of a difference of opinion between the entities, the Group's position will be discussed in the Operational Steering Committee.

Other thresholds:
Regardless of the transition path:

- **Regarding investments and asset management**, issuers generating more than 25% of their turnover from thermal coal extraction (mining) or more than 50% on coal (mining and/or electricity generation) are divested;
- **Regarding dedicated and non-dedicated financing**, clients generating more than 50% of their turnover from coal (mining, power plants, infrastructure) are placed in the watchlist portfolio, with the exception of companies exclusively involved in thermal coal extraction, for which no new financial service is possible.

IV. Special case of companies developing new thermal coal activities

The Climate Analytics Institute's report published in September 2019 indicates that the capacities of existing power plants exceed four times the carbon budget allocated to this industry by 2030. Considering that it is essential that no new power plants be built, the Bank has made a commitment to work only with companies willing to consider this imperative.

A specific approach is put in place for companies developing or planning to develop new thermal coal capacities, on projects to open mines, to build coal-fired thermal power plants, or to develop transport infrastructure dedicated to coal.

Using external data (data providers and NGOs), the Bank monitors and takes into account projects for which development decision has been made and translated into a public announcement or an application for a building permit (or equivalent depending on the regulations of the country concerned).

With regard to the construction of new coal-fired thermal power plants, only development projects with a capacity greater than 300 MW are considered. With regard to the construction of mines, only majority owners of the assets are considered.

Special cases:

- Some companies develop coal-fired power plants for their own needs. Given the complexity of obtaining and processing data to date, these companies will be processed in a second phase.
- Companies purchasing thermal coal assets will be considered to be developing new capacities in the absence of a commitment to cease operating the assets concerned within a reasonable period.

Principles:

➢ **For new clients:** starting in March 2020, there will be no new relationships with companies developing new thermal coal capacities;

➢ **For existing clients:** in order to allow the Bank's clients to adapt, a transitional phased approach is put in place over the 2020–2021 period.

<u>Regarding dedicated and non-dedicated financing services</u>: close monitoring is put in place starting in March 2020, involving an analysis of the path during the renewal of contracts and for any new financial

service. The Bank's support will depend on the company's initial commitments (existence of a coal phasing out strategy), the material elements of the development project (in particular, the project start and end dates), and its ability to communicate a coal industry phasing out plan to the Bank by 2021. In the absence of evidence, companies will be placed in a watchlist portfolio starting this year.

For the continuation of financial services from 2021, the Bank expects its clients to develop and communicate to it a phasing out plan in line with the timetable recommended by climate science (2030 for EU and OECD countries and 2040 for the rest of the world), including a commitment not to develop new projects.

The assessment of the existence of expansion projects and the establishment of a path will be assessed at the level of each company or group of companies where appropriate.

Regarding investment and asset management activities: the divestment of the groups concerned is undertaken starting in 2020 through:

- A review of the entire marketed unit-linked life insurance range (open-ended and closed funds).
- Divestment of the funds concerned on the investor activity of the Bank's life insurance subsidiary.
- A review of all assets proposed by the Bank's asset manager (equity, fixed income). The policy will be applied by default and recommended to clients.
    - All open-ended funds will be reviewed, and management mandates will also be gradually reviewed unless explicitly requested otherwise by the client.
    - Active management will be covered. The range offered to passive management clients will also be reviewed. Eventually, existing passively managed funds will also be divested where possible.