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Crédit Agricole Group CSR Sector Policy - Transport infrastructure – March 2020

1. Scope

This policy covers the transport infrastructure 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 transport infrastructure sector refers to activities and companies involved in the construction, expansion, operation, acquisition, and/or ownership of air, sea, and land transport infrastructure.

As part of this policy, the transport infrastructure concerned is defined by its ground coverage on the territories and precisely deal with airports, harbors, waterway infrastructure, railway stations, railway lines, mass transit transport infrastructure (tramways, metros), roads, highways, expressways, and roadworks (bridges, tunnels, etc.).

The "operation" of infrastructure here refers to the management, servicing, and maintenance of the infrastructure itself and does not include commercial activities and services made possible by the facilities. For example, with respect to an airport, operation will include the management of flows of aircraft (excluding navigation control), passengers, and goods on and inside the airport, but not the transport of passengers and goods by aircraft, which is the responsibility of airlines. The same distinction applies in the railway sector, where the infrastructure manager (railways and stations) must be distinguished from operators who market transport services and operate trains.

The Bank's involvement in transport services is covered by dedicated CSR sector policies (air transport, shipping, automotive, etc.).

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

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

Transport infrastructure permits the reception and management of vehicles[1] as well as their transported passengers and goods. They consist of the installations necessary to make air, sea, and land transport sectors viable and dynamic. They can play an important role in opening up certain territories, and assure trade growth and economic development.

Transport infrastructure construction, expansion, and operation activities must take into account environmental and social considerations. They can trigger negative impacts in terms of biodiversity (ecosystem fragmentation,

[1] Air, sea, waterway, or land transport vehicles

air and water pollution), human rights (physical and economic population displacements, labour force, etc.). They can also cause nuisances, especially noise pollution.

This Policy supplements the transport policies of the 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[2] criteria in the transport infrastructure sector and the Bank's conditions of involvement based on the identified societal issues. It supplements the Equator Principles within their scope.

3. Frame of reference

Financing and investments 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 standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and IFC Environmental, Health, and Safety Guidelines;
- The Ramsar Convention: the Convention on Wetlands (Ramsar, Iran, 1971);
- The list of UNESCO World Heritage sites; United Nations Educational, Scientific, and Cultural Organization.

4. Exclusion criteria

The Bank will not support the following activities:

- Transport infrastructure dedicated to thermal coal;
- 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 particular with respect to the ESMS[3], protection of the fundamental rights of workers, population displacements, closure and restoration plans, biodiversity conservation, impact on critical natural habitats, consent of indigenous peoples, and protection of cultural heritage;
- Public consultation or, where applicable, consent of affected indigenous peoples[4];
- Inter-State consultations in the event of major cross-border impacts.

5. Dedicated financing

a. Analysis criteria

The Bank will analyse each transaction related to the construction, expansion, operation, acquisition, or ownership of transport infrastructure according to the following criteria:

Capacity and commitment of the project or client to engage with stakeholders and manage environmental and social risks:

- Safety of structures (geological studies, seismic risk, materials quality, constructor's experience);
- Quality of the environmental and social impacts assessment;

[2] Corporate Social Responsibility
[3] Environmental and Social Management System
[4] As defined by IFC Performance Standard 7 on Indigenous Peoples

- Quality of the plans for managing these various impacts;
- Quality of accident management plans;
- Consultation of affected populations and, where appropriate, consent of indigenous peoples;
- Establishment of a grievance mechanism at the project level;
- Inter-State consultations in the event of cross-border impacts.

Environmental commitments:

- Potential impacts on biodiversity (and in particular ecosystem fragmentation and increased access to natural environments);
- Emissions of pollutants and in particular greenhouse gases;
- Management of water resources;
- Soil erosion;
- Noise pollution;
- Visual nuisances, impacts on the landscape.

Social and human rights commitments:

- Labour rights and working conditions including compliance with the ILO core conventions[5];
- Quality of care for the influx of migrant workers;
- Community health and safety;
- Impact on local communities (physical or economic population displacements);
- Rights of indigenous peoples on traditional lands;
- Impact on cultural heritage.

With regard to involvement for existing infrastructure, the various analysis criteria above will be reviewed retrospectively (impacts observed on ecosystems, management of possible population displacements, safety of the structure, etc.), which will make it possible to give an overall positive or negative opinion on the project as to its environmental and social impact.

b. Implementation

Where the transaction is directly related to the construction, expansion, operation, acquisition, and/or ownership of transport infrastructure, the project will be assessed according to all the indicated analysis criteria, and the Bank will seek to determine whether there is an exclusion criterion.

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 7 below.

Compliance with the environmental and social impact management plans will be monitored in cooperation with the Bank's sustainable development 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 of involvement

This paragraph applies to non-dedicated financing, investments, asset management, and insurance for clients significantly active in the commercial operation of transport infrastructure.

[5] The ILO core human rights conventions concern the elimination of forced or compulsory labour (C-29 and C-105), the abolition of child labour (C-138 and C-182), the elimination of discrimination in employment and occupation (C-100 and C-111), and freedom of association and collective bargaining (C-87 and C-98).

The Bank expects its clients to develop good practices and behaviour that limit their environmental and social impacts in accordance with sections 4 and 5 of the Policy.

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 credit facilities. The analysis will also assess whether the client monitors and evaluates impacts mitigation measures, and is publicly reporting on these aspects (website, annual report[6], etc.). The Bank will not develop a relationship with companies where a majority of their activity meets exclusion criteria.

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 infrastructure:

The Bank expects its clients to develop a climate-friendly transition path and provide by 2021 a coal industry phasing out plan. 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[7].

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.

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 new infrastructure dedicated to the transport of thermal coal (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[8].

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 a Group impact, referred to the Crédit Agricole Group's Operational Steering Committee for an opinion.

8. References and glossary

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

[6] Reporting according to the Global Reporting Initiative (GRI) is considered as a good practice.
[7] See the Climate Analytics Institute's report for specific details by geographical area https://climateanalytics.org/publications/2019/coal-phase-out-insights-from-the-ipcc-special-report-on-15c-and-global-trends-since-2015/
[8] Cf. appendix "Methodology note – Thermal coal"

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

CRÉDIT AGRICOLE

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.

CRÉDIT AGRICOLE

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 made available to them to the financing of, and investment in, energy transition.

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, the majority companies are considered to hold the assets.

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 by 2021a coal industry phase out plan to the Bank. 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.