

CSR SECTOR POLICY – FORESTRY & PALM OIL

1. Scope of the Policy

The present policy (the “Policy”) applies to all financings and investments activities and more broadly involvements of Crédit Agricole CIB (the “Bank”) that directly relate to the forestry and palm oil sector.

As part of the Policy, the forestry and palm oil sector covers oil palms plantations and timber harvesting as well as palm oil production. Trading and usage of wood and palm oil are not covered by the present Policy.

The Policy applies from the date it is published. Are excluded pre-existing activities in this sector, including commitments already made or business opportunities which are already at an advanced stage of negotiation.

The Policy will be reviewed from time to time.

2. Stakes and objectives of the Policy

Wood has numerous uses for construction, pulp and paper and as a fuel in the poorest countries), and presents interesting characteristics to store CO₂ as long as it is not burnt.

Palm oil is used up to almost 80% in the food industry as it offers many advantages over other competing vegetable oils (high yield resulting in proportionately less land being used, low production costs)¹. It is also increasingly used for the production of biofuels.

According to the FAO, the global demand for industrial roundwood is expected to increase strongly in the forthcoming years as well as the demand for paper. Palm oil consumption also shows a strong increase, worldwide.

Alongside their economic importance, forests have a high ecological importance (in particular for climate change mitigation and biodiversity conservation) and social importance (livelihoods of indigenous people, sacred sites). In a context of increasing pressure on forest resources, it appears crucial that timber harvesting and palm oil production are managed in a responsible manner in order to minimize deforestation and loss of biodiversity and to respect the rights of affected populations. This is especially important for palm oil whose production is geographically concentrated in two countries (Indonesia and Malaysia) for more than 80% of world production.

The Policy comes as a supplement to the rules regarding the relevant policies from Countries and the investment policies from the clients of the Bank and is not intended to supplant them. It seeks to state the CSR analysis criteria and requirements of the Bank in the forestry and palm oil sector, according to the identified societal issues. It supplements the implementation of the Equator Principles for transactions subject to these principles.

3. Regulatory framework

Involvements of the Bank in this sector will be analyzed accounting for identified stakes and taking particularly into account the works and standards issued by or resulting from the following conventions, initiatives or organizations:

- the standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and Environment Health and Safety Guidelines;
- the Ramsar Convention on Wetlands (Ramsar, Iran, 1971);

¹ Cf. Profile of palm oil on the United Nation Conference on Trade And Development web site.

- the sites inscribed as World Heritage Sites by the United Nations Educational, Scientific and Cultural Organizations (UNESCO);
- the International Union for Conservation of Nature (IUCN)
- the Alliance for Zero Extinction (AZE);
- the Forest Stewardship Council (FSC) Principles and Criteria;
- the Program for the Endorsement of Forest Certification (PEFC)
- the Roundtable on Sustainable Palm Oil (RSPO).

4. Analysis criteria

The Bank will analyze every transaction linked to the Forestry and Palm Oil sector according to the following criteria:

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

- quality of the environmental and social impacts assessment;
- quality of the management plans;
- consultation of affected populations and, if necessary, consent from indigenous peoples;
- setting up of a grievance mechanism at the project level;
- inter-States consultations in the event of cross-borders impacts;

Environmental commitments:

- consideration of the ecological value of lands (in particular with respect to biodiversity, to conservation of endangered species and to carbon storage) and potential impacts;
- conversion of important natural habitats;
- management of water resources;
- management of soil fertility and erosion;
- introduction of invasive species and management of pesticides.

Social and human rights commitments:

- labour rights and working conditions including compliance with International Labour Organization (ILO) core conventions²;
- impact on local communities (physical or economical displacement of population);
- rights of indigenous people over traditional lands;
- impact on cultural heritage.

Concerning existing operations, the various analysis criteria above will be used *a posteriori*. It will result into an overall positive or negative assessment of the project with respect to its social and environmental impacts.

Obtaining of the following certifications: FSC or PEFC for a forestry operation or RSPO for palm oil will be regarded as a satisfactory evidence that the above criteria have been considered.

5. Exclusion criteria

The Bank will not participate in transactions linked to this sector if aware of the following characteristics:

- illegal operation;
- conversion of lands having a high conservation value with respect to biodiversity (protected area listed under the categories I to IV of IUCN, primary forests or High Conservation Value Forests according to FSC, sites listed per the Alliance for Zero Extinction, peatlands);
- location within wetlands of international importance covered by the Ramsar Convention⁵,
- location within a site listed on the UNESCO World Heritage list,

² ILO's 8 core conventions on fundamental human rights relate to elimination of forced and compulsory labour (C-29 and C-105), abolition of child labour (C-138 and C-182), elimination of discrimination in respect of employment and occupation (C-100 and C-111) and freedom of association and collective bargaining (C-87 and C-98)

or when a significant non-compliance risk has been identified, unless it has received according to its own judgment, a satisfactory reply concerning:

- the IFC Performance Standards³ (or similar standards when an export credit agency or a multilateral institution is involved in the financing) or the Environment, Health and Safety Guidelines, in particular with respect to establishing an ESMS⁴, protection of the fundamental rights of the workers, forced displacement of population, rehabilitation and closure plans, biodiversity conservation, impact on critical natural habitats, consent from Indigenous People⁵, protection of cultural heritage;
- public consultation or, when necessary, consent from affected indigenous peoples;
- inter-States consultation in the event of major cross-borders impacts.

6. Implementation

Where the transaction is directly linked to the development, expansion, operation and/or the acquisition of an asset covered by the Policy, the project will be assessed against all the analysis criteria above and the Bank will seek to determine if an exclusion criterion exists.

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

Where the transaction is an advisory mandate, the Bank will seek to promote the principles included in this Policy. The Bank will not enter into an advisory mandate when aware at the date of the mandate that the envisaged project definitely exhibits an exclusion criterion. When considering financing a project for which the Bank has acted as financial advisor, it shall only do so in compliance with the Policy, including in respect of the exclusion criteria.

7. Involvement of the Bank not linked to a specific asset

Some transactions are not directly linked to the development, expansion, exploitation, and / or acquisition of a specific asset but nonetheless fall within the scope of implementation of the Policy. This is particularly the case for activities of a “corporate nature” in favour of companies significantly active in this sector.

The Bank expects from its clients that they implement good practices and that they have a behaviour enabling to limit their Environmental & Social impacts in accordance with section 4 of the Policy.

The regulatory framework in which the client operates should entail compliance with the principles set out in the Policy for activities located in High Income OECD Countries.

In other cases, the client’s policy will be assessed against the principles set out in the Bank’s Policy on the occasion of the annual review of the relationship. The bank will also assess whether the client monitors and assesses impacts and mitigation measures, and is publicly reporting on these aspects (website, annual report⁶,...).

In particular, the Bank will consider whether the assets of the clients are certified (FSC, national certification endorsed by PEFC, RSPO as the case may be). If the client has not committed to a plan targeting the certification of most of its assets within a reasonable period of time, the Bank will expect them to demonstrate implementing an impact assessment and management system of equivalent stringency and covering all the criteria listed above. In particular, the client shall have developed a no-deforestation policy (commitment not to develop its business to the detriment of primary forests or High Conservation Value forests).

If a significant difference is noted between the client’s and the Bank’s policies, the CERES committee’s recommendation will be required.

³ Compliance with the Performance Standards is assumed in High Income OECD Countries, provided that satisfactory due diligence on Environmental and Social issues has been duly performed.

⁴ Environmental and Social Management System

⁵ As defined by IFC Performance Standards relative to Indigenous People

⁶ Reporting according to the Global Reporting Initiative is regarded as a good practice.

A decision to start a relationship with a new counterparty within the scope of the Policy will be made only after due analysis of the above criteria. This analysis will have to confirm, if appropriate in CERES meeting, that the client's practices are in line with the principles set out in the Bank Policy.

The assessments will be made on the basis of public information or information provided to the Bank by the client.

8. Exceptional circumstances

Those transactions which would involve significant uncertainties in terms of compliance with the Policy will be submitted to the CERES committee, for recommendation. If the committee considers that the transaction does not comply with the Policy, it will be referred to Crédit Agricole CIB Executive Management for a final decision following the credit process (Counterparty Risk Committee).

9. References and glossary

IFC Performance Standards and Environmental, Health and Safety Guidelines:

http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/performance+standards/environmental+and+social+performance+standards+and+guidance+notes
<http://www.ifc.org/EHSGuidelines>

Wetlands of international importance covered by the Ramsar Convention:

<http://www.ramsar.org/about/wetlands-of-international-importance-ramsar-sites>

Site listed on the UNESCO World Heritage list:

<http://whc.unesco.org/fr/list/>

Protected areas listed per the International Union for Conservation of Nature (IUCN):

http://www.iucn.org/about/work/programmes/gpap_home/gpap_quality/gpap_pacategories/

Alliance for Zero Extinction:

<http://www.zeroextinction.org/>

Forest Stewardship Council (FSC) and High Conservation Value Forests:

<https://ic.fsc.org/principles-and-criteria.34.htm>

<https://ic.fsc.org/high-conservation-values-and-biodiversity.213.htm>

Programme for the Endorsement of Forest Certification:

<http://www.pefc.org/>

Roundtable on Sustainable Palm Oil (RSPO):

<http://www.rspo.org/about>