

PRESENTATION OF THE CSR SECTOR POLICY

Hydroelectric power plants

Preamble: this summary presentation of the sector policy is not intended to replace the official text of the Policy as presented on CACIB website:

[CSR Sector Policy – Hydroelectric power plants](#)

SCOPE OF THE POLICY:

The present policy applies to all forms of involvement of the Bank directly related to the construction or expansion of a hydroelectric power plant associated with reservoirs (infrastructure inducing a significant modification of the watercourse). Operations related to an existing infrastructure (acquisition, leveraging ...) also enter the scope of the policy.

Are also concerned all forms of involvement of the Bank relative to electricity producers when operation of hydroelectric plants associated with reservoirs constitutes an essential share of their activity.

ISSUES:

Hydroelectricity is a renewable and low carbon source of energy, with a favorable potential for development at a competitive economic cost. As such, it can insure a significant part of the world energy needs while contributing to the fight against global warming. Furthermore, dams can contribute to water resource management by avoiding periods of flood and drought.

Some hydroelectric plants which require large associated reservoirs in natural habitats can however produce significant negative impacts in terms of biodiversity (impacts on critical ecosystems) or of human rights (physical or economic displacements of population).

REFERENCE FRAME:

In this sector, funding and investments are analyzed considering the identified issues and the works and standards resulting from the main conventions and initiatives of the sector (including the World Commission on Dams, the International Hydropower Association (IHA) or the standards of the World Bank group).

ANALYSIS CRITERIA:

The Bank analyses every transaction linked to the construction or expansion of a hydropower plant with an associated reservoir according to the following criteria:

- The existence of a national or regional strategic plan for managing the watershed (allowing in particular the knowledge and the management of the impacts by the authorities, with, if necessary, a comparative assessment of potential projects);
- The assessment of impacts due to the creation of a reservoir and the modification of the river flow regime (potential impacts to biodiversity and cultural heritage, potential physical or economic displacement of people, change in the livelihood of affected upstream and downstream population, quality of water and consequences for health, greenhouse gas (GHG) emissions due to the flooding of vegetation and the inflow of carbon-rich materials from upstream);

- Management of the construction phase (discharge of pollutants, soil erosion, influx of migrant workers, working conditions);
- Safety of the infrastructures (geological studies, seismic risk survey, quality of materials, experience of constructors);
- As well as the consultation of affected populations and, if necessary, the consent from indigenous peoples, setting up of a grievance mechanism at the project level, inter-States consultation in the event of cross-borders impacts, and quality and credibility of the management plans.

EXCLUSION CASES:

The Bank doesn't participate in transactions linked to any hydropower infrastructure (new project, expansion or existing asset) with an associated reservoir in the following cases:

- Excessive level of the environmental and social impacts of the project towards its economic advantages on the basis of the reports requested by the Bank;
- Evidence that GHG emissions from the reservoir exceed, on an annual average, those of a coal-fired power plant of the same capacity;
- Critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention⁵;
- The project is located within a site listed on the UNESCO World Heritage list.

These exclusions are adding up to cases where, when a risk of material non-compliance has been identified, the Bank has not received, in its opinion, satisfactory answers with respect to: the IFC Performance or the Environment, Health and Safety Guidelines, in particular with respect to the ESMS, protection of the fundamental rights of workers, displacement of population, compensation of impacts on downstream communities, biodiversity conservation, impact on critical natural habitats, consent of indigenous people and protection of cultural heritage, the Recommendations of the World Commission on Dams, public consultation or, when appropriate, consent from affected indigenous peoples or inter-States consultation in the event of major cross-borders impacts.

IMPLEMENTATION:

When the transaction is directly linked to a hydroelectric infrastructure with an associated reservoir, the project is 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.

When the transaction is not directed linked to a project but the client has a significant activity in this sector, the Bank expects the client to develop a policy consistent with the principles set out above. The Bank will notably take into account the proportion of the client controversial activities, the possibilities of evolution and could, if appropriate, limit its interventions to particular transactions (financings dedicated to specific investments for example).

Transactions that present uncertainty with respect to compliance with the Policy shall be referred to the CERES committee (ad hoc Evaluation Committee for transactions involving an Environmental or Social Risk) for recommendation, before a final arbitration by the General management of Crédit Agricole CIB.

This Policy falls within the implementation of the CSR Policy of "Crédit Agricole CIB, a useful and responsible Corporate and Investment Bank".