

PRESENTATION OF THE CSR SECTOR POLICY

Shale oil and gas

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 – Shale oil and gas](#)

SCOPE OF THE POLICY:

The present policy applies to all forms of involvement of CACIB in the sector of shale oil and gas extraction.

ISSUES:

Natural gas is generally regarded as a transitional energy source and oil is expected to continue contributing a significant role to the global energy mix in the forthcoming years. Excluding fugitive greenhouse gas emissions, shale gas doesn't appear significantly different from this perspective. Shale oil and gas have been extracted for many years in the United States which appears as the current reference country for this activity. Extraction of shale oil and gas differs that of conventional oil or natural gas mainly through a greater use of hydraulic fracturing techniques, causing in particular environmental impacts or risks similar in nature or magnitude to impacts and risks inherent to the oil industry. Satisfactory development of the extraction of shale oil and gas in some other regions of the world is likely to be hampered by a lack of experience of potential operators and local governments that may have significant environmental consequences, especially in view of the toxicity of certain additives used during hydraulic fracturing (induced pollution of water, soil and air can cause social impacts or have consequences on biodiversity in the event of a major accident).

Therefore, potential impact on groundwater and a tight meshing of wells are a legitimate concern for local populations or may be regarded as incompatible with highly populated lands or significant natural or cultural heritage sites.

REFERENCE FRAME:

In this sector, funding and investments are analyzed considering the identified issues and the works and standards from the main conventions and initiatives of the sector (of which the national or European regulations).

ANALYSIS CRITERIA:

The Bank adopts a cautious stand and restricts its involvement to transactions with the following characteristics: client's experience, existence of a regulation consistent with the reference frame in the country where oil or shale gas operations are located, assurance of a sufficient distance between hydraulic fracturing zones and groundwater, identification of water resource and appropriate management of waste water to minimize environmental risks, absence of conflict between the activity and the characteristics of the territories concerned.

Furthermore, from an operational standpoint, the following aspects will particularly be studied when assessing a client or a transaction: regulation applying to greenhouse gas emissions in the host country, existence of a regulation framework applying to the shale oil or gas activity in the host country, potential impacts from wells and in particular the risks of polluting groundwater, potential impacts specific to hydraulic fracturing in relation to the use of additives, existence of an environmental impact

assessment, identification of the water resource, waste water treatment, nuisances to the public and landscape impacts, potential impact on critical natural habitats, potential impact on cultural site, forced resettlement or displacement of populations due to the loss of lands or goods as well as the environmental legacy from past operations.

EXCLUSION CASES:

The Bank will not participate to financing of projects if aware of the following characteristics:

- Absence, in the host country, of a regulation consistent with the reference frame or commitment of a specified referencing;
- Critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention;
- Project located in a site listed on the UNESCO World Heritage list;
- Non-compliance with Performance Standards or Environmental, Health and Safety guidelines (in particular in terms of population displacement and impacts on critical natural habitats);
- Lack of local regulatory procedures for controlling the well tightness;
- Lack of disclosure of the chemical additives used for hydraulic fracturing or use of an additive prohibited in reference countries;
- Distance deemed as insufficient between underground aquifers and hydrocarbon-producing areas;
- Waste water management deemed inappropriate;
- Lack of public consultation in the context of local protest against the project.

IMPLEMENTATION:

When the transaction is directly linked to a particular shale oil or gas project, 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. Compliance with the environmental and social management plans and conditions will be monitored as part of the annual review process of the transactions.

When the transaction is not directly 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. In particular, the Bank will take into account the proportion of the client's controversial activities, the possibilities of evolution and could, if necessary, 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".



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