

PRESENTATION OF THE CSR SECTOR POLICY

Shipping

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 – Shipping](#)

SCOPE OF THE POLICY:

The policy applies to all operations of the Bank in connection with maritime industry, which covers building, repair or dismantling of merchant vessels, as well as acquisition and operation of these vessels.

Merchant vessels are ships used for transportation of passengers or goods as well as other ships used for a civil or industrial activity such as passenger liners, dry cargo ships, tankers, special purpose ships, port or coastal service boats.

ISSUES:

The sea covers over 70% of the total surface of our world. Since sea transportation is very cost effective total exchanges by sea more than tripled over the last four decades, on the back of the development of international trade. In tons terms, 90% approximately of international trade is shipped by sea.

Approximately 50,000 merchant vessels sail worldwide, of which circa 90% cargo carriers and the remaining 10% passenger carriers. Merchant vessels have had a steady growth all along the last century due to the brisk growth in demand.

Worldwide fleet is registered under more than 150 flags but only a small number of countries account for the bulk of ship registrations (particularly Panama, Liberia and Malta).

Shipping involves environmental, health, social and security stakes. Sea transportation is highly energy efficient per ton mile (i.e. in terms of volumes of goods shipped distances). Merchant Navy currently generates 3% approximately of the world's CO2 emissions, a level which could increase in view of world trade growth.

Other environmental issues include emission of other pollutants (sulfur dioxide, NOx, black carbon, tank cleaning operations...), incidental pollutions (hydrocarbons or other spills), the nature of anti-fouling coatings, ballast water management and ship recycling and scrapping.

Seafarers total over 1 million, with the Philippines accounting for over 20%. Main social issues are related to safety at sea, working conditions and crew training.

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 International Maritime Organization, the standards of the World Bank group or Environmental, Health, and Safety Guidelines for Shipping....).



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ANALYSIS CRITERIA:

The Bank takes into account:

- criteria related to the building or extension of ship building or dismantling yards: dialogue with stakeholders and environmental and social risks management, environmental commitments, social and human rights commitments;
- analysis criteria related to financing of the acquisition and operation of merchant vessels: Safety Of Life At Sea, compliance with labor law and with living standards on board the vessels, quality of crew training, prevention of incidental pollutions, ship's emissions of greenhouse gas and energy efficiency, emissions of other pollutants, anti-fouling coating, responsible ship recycling and scrapping, quality of the ship owner's fleet management.

EXCLUSION CASES:

The Bank will not take part in financing or investments in the following cases:

- building or extension of ship building or dismantling yards: critical impact on a protected area or a wetland of international importance covered by the Ramsar Convention, location in a Unesco World heritage classified site, lack of policy regarding anti-fouling paints and aiming at the gradual elimination of tributyltin and triphenyltin in accordance with the EHS Guidelines for Shipping, lack of management policy for paint waste resulting from anti-fouling treatment, lack of scrap recycling policy in case of dismantling.
- acquisition or operation of merchant vessels: the ship is lacking the mandatory identification (IMO number), the ship is registered in a country on the Paris Memorandum of Understanding on Port State Control (Paris MoU) blacklist, the ship is on the Paris MoU list of detained or banned ships, the ship is lacking its classification certificate (issued by a classification company acceptable to the Bank), the classification has not been made by a classification company recognized by the Paris MoU, the classification company is on the list of classification companies whose Paris MoU appraised performance level is either Low or Very Low, the ship is not covered by some insurance policies, Protection & Indemnity cover is not provided by a P&I Club member of the International Group of P&I Clubs, the quality of the ship owner regarding security rules is considered as inadequate by the Bank, the age of the ship (or the average age of financed vessels) is more than 20 years (from delivery date) upon financing request, for an oil tanker: no double hull / double sides.

IMPLEMENTATION:

When the transaction is directly linked to acquisition or operation of merchant vessels, or to the building or extension of merchant vessel building or dismantling yard, 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 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. 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".