

PRESENTATION OF THE CSR SECTOR POLICY

Aviation

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 – Aviation](#)

SCOPE OF THE POLICY

The present policy applies to all forms of involvement of the Bank relative to the civil aviation industry and to the transportation of goods by air (air freight).

It covers the purchase and leasing of new or used aircraft for the civilian transportation of passengers or freight, the operation of such aircraft by airlines or private operators (such as corporate customers) as well as their manufacturing.

ISSUES

The aviation industry involves a number of stakes of an environmental, social and safety nature. It is responsible for ca. 2-3% of the world's greenhouse gas emissions.

Information provided by the World Bank and IATA mention that air traffic grew annually by 5% in the period from 1973 through 2019. It should double again over the next 25 years, boosted by the growth in Asia-Pacific, Middle East-Africa, Latin America, while still significant growth potential remains in North America and Europe.

To meet this rapid growth, the world's fleet of aircraft is expected to continue its expansion, from ca. 26,000 units in 2019 to over 48,000 units in 2039. Significant technical progress from manufacturers has allowed to reduce CO₂ emissions by passenger-kilometer by ca. 3% p.a. since the 1990s. These efforts are all the more important than fuel consumption has become the most important expense for airlines. Jet fuel combustion being, by far, the main impact of airlines' operations on the environment, the most efficient lever immediately available to airlines remains investment in latest technology aircraft.

In addition, an increasing share of shipments (around 45%) of manufacturers goes to operating lease companies and this proportion increases with new deliveries, which mainly involve operating lessors. Safety issues are also important elements of this policy.

REFERENCE FRAME

The policy is part of the international reference texts governing the issues of the sector (including the International Civil Aviation Organization and the International Air Transport Association).

ANALYSIS CRITERIA

The Bank takes into account criteria related to:

- Aircraft / Fleet: greenhouse gas emissions (in particular CO₂ as well as other pollutants such as CO, NO_x, fine particles), as well as the sound level of the aircraft.
Greenhouse gas emissions will be assessed based on the age of the aircraft or the average age of the fleet. The objective is to finance recent and fuel efficient aircraft.



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- manufacturing of aircraft: capacity and commitment of the manufacturer to dialogue and manage environmental and social risks related to its industrial activity (assessment and management of impacts, consultation of the affected populations...), environmental commitment (potential impact on biodiversity and ecosystems, pollutant emissions, water resource management...) as well as social and human rights commitment (respect of International Labor Organization's core conventions, community health and safety...).
- operation of aircraft: in particular safety, energy efficiency, the operator's ability and commitment to engage with stakeholders and to manage the environmental and social risks involved in its activity (including fleet renewal or energy efficiency enhancement plans/initiatives), its commitment vis-à-vis the environment (noise pollution, emissions of pollutants, aircraft recycling), its commitment vis-à-vis the society and in terms of human rights (including compliance with the domestic laws and regulations applicable to it or with International Labor Organization's core conventions).

EXCLUSION CASES:

The Bank will not participate in loans or investments if it is aware of either of the following:

- loans or investments that are directly intended for the acquisition or leasing of aircraft: non-compliance with certification standards defined by the industry or with age limits (6 years in the case of business planes, 12 years for the transportation of passengers, 15 years for the transportation of goods);
- loans or investments that are directly intended for the development, erection or extension of industrial plants (particularly aircraft manufacturing plants) having a critical impact on a protected area or wetlands of international importance covered by the Ramsar Convention, or located within a Unesco World Heritage Site, or a site meeting the criteria for designation by the Alliance for Zero Extinction (AZE), or not respecting the rights of affected indigenous peoples or environmental, health and safety standards;
- loans or investments that are directly related to an airline company listed on the European Commission's blacklist of airlines.

IMPLEMENTATION:

When the transaction is directly linked to the acquisition or leasing of, the project will be examined before the loan is granted or investment made, giving due consideration to all criteria described above and the Bank will seek to determine if an exclusion criterion exists. At each annual review, the relationship will be analysed in the light of all the criteria, it being understood that the age criterion of the fleet will relate to the average age of the fleet financed for this relationship, which should not exceed 8 years, 15 years or 20 years for business aviation, commercial passenger transport, or freight transport respectively.

When the loan or investment is directly linked to the building or extension of an aircraft manufacturing plant, the project will be examined before the loan is granted or investment made, and at each annual review in case of a loan, giving due consideration to all the criteria described above and the Bank will try and determine whether or not any excluding criterion exists.

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 in particular take into account the proportion of the client's controversial activities, the possibilities of evolution and may, 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 (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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