

CSR SECTOR POLICY – REAL ESTATE

UPDATE DECEMBER 2022

1. Scope of the Policy

The present policy (the “Policy”) applies to all financings and investment activities and more broadly involvements of Crédit Agricole CIB (the “Bank”) that directly relate to real estate assets.

As part of this Policy, real estate assets (“Real Estate Assets”) are a category of assets defined by their ground coverage and their nature as buildings.

They can be of a commercial nature, with a capacity to generate revenues or rents and possessing an actual market value (supply/demand/liquidity/fungibility). In this case, they cover among others:

- Residential buildings,
- Office buildings,
- Logistical buildings (logistical platforms, warehouses, etc.),
- Shops (shopping centers, shopping galleries, hypermarkets/supermarkets, retail parks, etc.),
- Hotels, leisure parks and casinos,
- Private clinics, nursing homes,
- And to a lesser extent, parking facilities.

Alternatively, they can principally be affected to a mission of public service as social infrastructure. In that case, a public entity may entrust their development and operation & maintenance to the private sector through a public-private partnership contractual scheme, or PPP (partnership contract, concession, PFI, ...). Social infrastructure includes among others:

- Universities and schools,
- Hospitals,
- Administrative buildings,
- Retention facilities.

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

Real Estate Assets cover each country’s general needs in terms of, among others:

- Housing,
- Economic activities (offices, warehousing, retail...),
- Leisure activities (hotels, entertainment, casinos, ...),
- Access to medical care (hospitals, private clinics, nursing homes...),
- Access to education (universities...),
- Access to the public and semi-public sector buildings (administrative buildings, retention facilities ...).

The size of the real estate market in each country is of course correlated to demographic trends and (public and private) economic dynamism of relative areas.

The construction, restructuration, rehabilitation and operation & maintenance of Real Estate Assets have to take into account environmental and social considerations. They can trigger negative impacts on environment

(greenhouse gas emissions, perturbation of ecosystems, air and water pollution) and human rights (economical and physical people displacements). They can also cause nuisance during construction works, especially noise pollution.

The Policy comes as a supplement to the rules regarding real estate policies issued by National Authorities and the investment policies from the clients of the Bank. It is not intended to supplant them. It seeks to state the CSR analysis criteria and requirements of the Bank in the real estate sector, according to the identified societal issues. It supplements the implementation of the Equator Principles for transactions subjects to these principles.

3. Regulatory framework

Loans and investments in the real estate 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:

- National and European regulations,
- Equator Principles¹ that apply to Project finance and to construction, restructuration, heavy rehabilitation of large scale real estate development, and to real estate development in a Sensitive Area,
- For Non-designated countries of the Equator Principles, the standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and Environment Health and Safety Guidelines²;
- The Ramsar Convention on Wetlands (Ramsar, Iran, 1971);
- The sites inscribed as World Heritage Sites by the United Nations Educational, Scientific and Cultural Organizations (UNESCO),
- The sites corresponding to designation criteria of the Alliance for Zero Extinction,
- Seveso directive, inside the European Union³.

4. Analysis criteria

By nature, and as mentioned above, Real Estate Assets must be considered on a local level and not on a global one.

The Bank will analyze every transaction linked to the construction, restructuration, rehabilitation, acquisition and operation of Real Estate Assets according to the following criteria:

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

- Preventive archeology,
- Safety of structures (geological surveys, seismic risk, materials quality, constructor experience);
- Quality of the environmental and social impacts assessment;
- Quality of the management plans;
- Quality of accident management plans;
- Consultation of affected populations and, if necessary, consent from Indigenous Peoples⁴ (as defined by the United Nations);
- Setting up of a grievance mechanism at the project level;
- Ethical business conduct (loyalty of practices, prevention of fraud and corruption risks);
- Inter-States consultations in the event of cross-borders impacts;

¹ Releases of June 2013 (EP4) and July 2020 (EP4)

² Compliance with these Standards and Guidelines is presupposed in OECD high income countries (Designated countries), except concerning the Performance Standard 7 on indigenous peoples.

³ Seveso directive: directive applicable in European Union countries that prescribes measures regarding the control of major-accident hazards involving dangerous substances.

⁴ In the sense of Free Prior and Informed Consent as given to it by the International Finance Corporation in the Performance Standard 7 relative to Indigenous Peoples.

Environmental commitments:

- Potential impacts to biodiversity (in particular soil conversion, ecosystems fragmentation, important access to natural environments);
- Discharge of pollutants and in particular emission of greenhouse gas;
- Management of water resources;
- Soil erosion;
- Noise pollution;
- Visual impacts, especially on landscapes;
- Energy consumption of buildings.

Social and human rights commitments:

- Labour rights and working conditions including compliance with International Labour Organization (ILO) core conventions⁵;
- Quality of the migrant workers' influx management;
- Community health and safety;
- Impact on local communities (physical or economical displacement of population);
- Rights of indigenous people over traditional lands;
- Impact on cultural heritage.

Concerning existing Real Estate Assets, the various analysis criteria above will be used *a posteriori* (impacts observed on ecosystems, management of potential displacement of population, safety of the facilities...). It will result into an overall positive or negative assessment of the project with respect to its social and environmental impacts.

5. Exclusion criteria

The Bank will not participate in transactions linked to the construction, restructuration, rehabilitation, acquisition or operation of Real Estate Assets if aware of the following characteristics:

- Negative critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention, or
- Negative critical impact on a site listed on the UNESCO World Heritage List⁶,
- Location in a site corresponding to the designation criteria of the Alliance for Zero Extinction (AZE).

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

- Except in Designated countries (in the sense of the Equator Principles), the IFC Performance Standards (or similar standards when a export credit agency or a multilateral institution is involved in the financing) or the Environment, Health and Safety Guidelines, in particular with respect to:
 - setting up of an Environmental and Social Management System (ESMS)
 - protection of the fundamental rights of the workers
 - forced displacement of population
 - rehabilitation and closure plans
 - biodiversity conservation
 - impact on critical natural habitats
 - protection of cultural heritage
- Public consultation or, when necessary, consent from affected Indigenous Peoples²;
- Inter-States consultation in the event of major cross-borders impacts.

⁵ 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)

⁶ Impact that may for example lead to the site being inscribed on the List of World Heritage in Danger or to the delisting of the site from the World Heritage List.

6. Implementation

Where the transaction is directly linked to the construction, restructuring, rehabilitation, acquisition or operation of Real Estate Assets, 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.

Compliance with the environmental and social management plans and conditions will be monitored in cooperation with the Environmental and Social Risks specialists of the Bank from the beginning of the transaction and along the life of the financing as part of the annual review process of the transaction.

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 present Policy, including in respect of the exclusion criteria.

7. Involvement of the Bank not linked to a specific Real Estate Asset

Some transactions are not directly linked to the construction, restructuring, rehabilitation, acquisition or operation of one or several Real Estate Assets but nonetheless fall within the scope of implementation of the Policy. This is particularly the case for activities of a “corporate nature” in favor of companies significantly active in the real estate sector.

The Bank expects from its clients that they implement good practices and that they have a behavior 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 Designated countries (in the sense of the Equator Principles).

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 reports, ...).

If a significant difference is noted between the client's and the Bank's policies, the CERES⁷ committee's recommendation will be required.

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).

⁷ Comité d'Evaluation des opérations présentant un Risque Environnemental ou Social.

9. References and glossary

- IFC Performance Standards and Environmental, Health and Safety Guidelines:

[Performance Standards \(ifc.org\)](https://www.ifc.org/standards)

[Environmental, Health, and Safety Guidelines \(ifc.org\)](https://www.ifc.org/standards)

- Wetlands of international importance covered by the Ramsar Convention:

<https://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>

- List of the UNESCO World Heritage sites

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

- Alliance for Zero Extinction

<https://zeroextinction.org/>

- Directive 2012/18/EU of 4 July 2012, aka “Seveso directive”:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:197:0001:0037:EN:PDF>