

Crédit Agricole CIB CSR Sector Policy - Transport infrastructure – April 2023

1. Scope

The present policy (the Policy) defines the involvement criteria applicable to financing and investment activities and more broadly involvements of the Bank (including advisory and intermediation services) relating to clients active in the transport infrastructure sector.

For the purposes of this policy, the transport infrastructure sector refers to activities and companies involved in the construction, expansion, operation, acquisition, and/or ownership of air, sea, and land transport infrastructure.

As part of this policy, the transport infrastructure concerned is defined by its ground coverage on the territories and precisely deal with airports, harbors, waterway infrastructure, railway stations, railway lines, mass transit transport infrastructure (tramways, metros), roads, highways, expressways, and roadworks (bridges, tunnels, etc.).

The “operation” of infrastructure here refers to the management, servicing, and maintenance of the infrastructure itself and does not include commercial activities and services made possible by the facilities. For example, with respect to an airport, operation will include the management of flows of aircraft (excluding navigation control), passengers, and goods on and inside the airport, but not the transport of passengers and goods by aircraft, which is the responsibility of airlines. The same distinction applies in the railway sector, where the infrastructure manager (railways and stations) must be distinguished from operators who market transport services and operate trains.

The Bank’s involvement in transport services is covered by dedicated CSR sector policies (aviation, shipping, automotive, etc.).

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.

2. Sector issues and objectives of the policy

Transport infrastructure permits the reception and management of vehicles¹ as well as their transported passengers and goods. They consist of the installations necessary to make air, sea, and land transport sectors viable and dynamic. They can play an important role in opening up certain territories, and assure trade growth and economic development.

Transport infrastructure construction, expansion, and operation activities must take into account environmental and social considerations. They can trigger negative impacts in terms of biodiversity (ecosystem fragmentation, air and water pollution), human rights (physical and economic population displacements, labour force, etc.). They can also cause nuisances, especially noise pollution.

This Policy supplements the transport policies of the States and the investment policies of the Bank’s clients and is not intended to replace them. It aims to specify the Bank’s CSR² criteria in the transport infrastructure sector and the Bank’s conditions of involvement based on the identified societal issues. It supplements the Equator Principles within their scope.

¹ Air, sea, waterway, or land transport vehicles.

² Corporate and Social Responsibility.

3. Frame of reference

Financing and investments in this sector will be analysed taking into account the identified issues and, in particular, the work and standards resulting from the following conventions, initiatives, or institutions:

- The standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and IFC Environmental, Health, and Safety Guidelines;
- The Ramsar Convention: the Convention on Wetlands (Ramsar, Iran, 1971);
- The list of UNESCO World Heritage sites; United Nations Educational, Scientific, and Cultural Organization;
- List of sites that meet the designation criteria of the Alliance for Zero Extinction (AZE).

This policy is in accordance with the Crédit Agricole Group's thermal coal and transport infrastructures policies and will be reviewed periodically.

4. Exclusion criteria

The Bank will not support the following activities:

- Transport infrastructure dedicated to thermal coal;
- Activities that have a critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention;
- Activities located within a UNESCO World Heritage site or a site meeting the criteria for designation by the Alliance for Zero Extinction (AZE).

Furthermore, with regard to dedicated financing activities, the Bank will also abstain from transactions when a risk of material non-compliance has been identified and the bank has not received, in its opinion, satisfactory answers with respect to:

- The IFC Performance Standards (or equivalent standards for co-financing with an export credit agency or a multilateral institution) or the IFC Environment, Health, and Safety Guidelines, in particular with respect to the ESMS³, protection of the fundamental rights of workers, population displacements, closure and restoration plans, biodiversity conservation, impact on critical natural habitats, consent of indigenous peoples, and protection of cultural heritage;
- Public consultation or, where applicable, consent of affected indigenous peoples⁴;
- Inter-State consultations in the event of major cross-border impacts.

5. Dedicated financing

a. Analysis criteria

The Bank will analyse each transaction related to the construction, expansion, operation, acquisition, or ownership of transport infrastructure according to the following criteria:

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

- Safety of structures (geological studies, seismic risk, materials quality, constructor's experience);
- Quality of the environmental and social impacts assessment;
- Quality of the plans for managing these various impacts;
- Quality of accident management plans;
- Consultation of affected populations and, where appropriate, consent of indigenous peoples;
- Establishment of a grievance mechanism at the project level;

³ Environmental and Social Management System.

⁴ As defined by IFC Performance Standard 7 on Indigenous Peoples.

- Inter-State consultations in the event of cross-border impacts.

Environmental commitments:

- Potential impacts on biodiversity (and in particular ecosystem fragmentation and increased access to natural environments);
- Emissions of pollutants and in particular greenhouse gases;
- Management of water resources;
- Soil erosion;
- Noise pollution;
- Visual nuisances, impacts on the landscape.

Social and human rights commitments:

- Labour rights and working conditions including compliance with the ILO core conventions⁵;
- Quality of care for the influx of migrant workers;
- Community health and safety;
- Impact on local communities (physical or economic population displacements);
- Rights of indigenous peoples on traditional lands;
- Impact on cultural heritage.

With regard to involvement for existing infrastructure, the various analysis criteria above will be reviewed retrospectively (impacts observed on ecosystems, management of possible population displacements, safety of the structure, etc.), which will make it possible to give an overall positive or negative opinion on the project as to its environmental and social impact.

b. Implementation

Where the transaction is directly related to the construction, expansion, operation, acquisition, and/or ownership of transport infrastructure, the project will be assessed according to all the indicated analysis criteria, and the Bank will seek to determine whether there is an exclusion criterion.

If an exclusion situation is identified or if the outcome of the general analysis is negative, the Bank will not participate in the transaction. Any potential exceptional situation will be handled in accordance with section 7 below.

Compliance with the environmental and social impact management plans will be monitored in cooperation with the Bank's sustainable development specialists from the beginning of the transaction and throughout the life of the financing as part of the transaction's annual review process.

Where the involvement is an advisory mandate, the Bank will seek to promote the principles included in this Policy. The Bank will not accept an advisory mandate if it is aware of the confirmed, definitive existence of an exclusion criterion. During the course of the mandate, if it appears that the project contradicts the principles of this Policy, the Bank will not participate in the considered financing.

6. Other modes of involvement

This paragraph applies to non-dedicated financing and investments for clients significantly active in the commercial operation of transport infrastructure.

The Bank expects its clients to develop good practices and behaviour that limit their environmental and social impacts in accordance with sections 4 and 5 of the Policy.

⁵ The ILO core human rights conventions concern the elimination of forced or compulsory labour (C-29 and C-105), the abolition of child labour (C-138 and C-182), the elimination of discrimination in employment and occupation (C-100 and C-111), and freedom of association and collective bargaining (C-87 and C-98).

With regard to non-dedicated financing activities, the client's policy will be assessed against the principles of the Bank's Policy during the annual review of the credit facilities. The analysis will also assess whether the client monitors and evaluates impacts mitigation measures, and is publicly reporting on these aspects (website, annual report⁶, etc.). The Bank will not develop relationship with companies where a majority of their activity meets exclusion criteria.

With regard to investments, decisions will take into account the general analysis of the non-financial performance of companies as well as the possible existence of exclusion criteria.

The rules specific to thermal coal mines are described in the appendix "Crédit Agricole CIB CSR sector policies metals and mining, power generation and transport infrastructures – thermal coal".

7. Exceptional circumstances

Transactions that present uncertainty with respect to compliance with the Policy shall be referred to the CERES committee for recommendation. If the committee considers that the transaction does not conform to the Policy, such transaction will be subject to a final arbitration by the General management of Crédit Agricole CIB.

8. References and glossary

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

https://www.ifc.org/wps/wcm/connect/24e6bfc3-5de3-444d-be9b-226188c95454/PS_English_2012_Full-Documents.pdf?MOD=AJPERES&CVID=jkV-X6h

and

<https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p>

Wetlands of international importance covered by the Ramsar Convention:

<https://rsis.ramsar.org/?language=en>

UNESCO World Heritage sites:

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

Alliance for Zero Extinction:

<https://zeroextinction.org>

⁶ Reporting according to the Global Reporting Initiative (GRI) is considered as a good practice.

Appendix – Crédit Agricole CIB CSR sector policies metals and mining, power generation and transport infrastructures

- thermal coal - April 2023

The purpose of this appendix is to summarize the key elements related to thermal coal with regard to the following sector policies:

- Metals and mining ;
- Transport infrastructures ;
- Power generation.

This appendix is consistent with the Crédit Agricole Group's thermal coal policy. This appendix sets out in a formal manner the procedures for operational implementation of the Group thermal coal policy, integrating the relevant specificities of the activities and businesses of Crédit Agricole CIB.

1. Scope

This appendix applies to all financing and investment activities and more generally to all Crédit Agricole CIB involvements relating to thermal coal and to all customers active in thermal coal and/or holding assets related to thermal Coal.

2. Context

The 2015 Paris Agreement on climate change formalized a commitment which reconsiders, on the basis of existing technologies, the role of coal worldwide. In the short term, it appears necessary for the number of coal-fired power plants to be reduced as much as possible and the emissions of existing power plants to be limited as much as possible.

In the longer term, the International Energy Agency (IEA) considers that carbon capture and storage (CCS) technologies will be needed to meet the UNFCCC objectives.

The commitments made by the Crédit Agricole Group on thermal coal, in particular within the framework of its climate strategy published in June 2019, materializes its desire to adopt a compatible trajectory with climate aspects and to support its customers to develop a climate-friendly transition path.

The Bank expects its clients to develop good practices and behavior that limit their environmental and social impacts. In this perspective, the Bank's approach consists in defining its level of commitment to customer relationship according to its intentions to define and follow a climate-friendly transition path.

3. Key elements of Crédit Agricole CIB's thermal coal policy

All *terms in Italic* are defined either in this section or in the following section.

a) *Exit from thermal coal*

In accordance with the Group commitment made in 2019, Crédit Agricole CIB commits to reduce its *Exposure* to zero with regard to *Entities with Thermal Coal Assets*⁷:

- in 2030 for European Union or OECD countries **and**
- in 2040 for the rest of the world,

and will publish the thermal coal *Exposure* on a yearly basis. Any comparable commitment is referred to as "*2030/2040 Coal Exit Calendar*".

In order to promote transparency on our involvement in this sector, Crédit Agricole CIB commits to ask its customers exposed to thermal coal to make public the financing in which the bank is involved. This is an obligation of means, and not of results.

⁷ According to location of assets for coal-fired power plants and transport infrastructure and according to the country of coal consumption for mining.

b) Exclusions

Any *Financial Service* is excluded for an *Entity*:

- Developing new *Thermal Coal Assets* **or**
- With more than 25% of the turnover linked to thermal coal and that does not have a *Credible and Public Transition Plan* including a public *2030/2040 Coal Exit Calendar*, **or**
- With less than 25% of turnover linked to thermal coal and which has no *Credible Transition Plan*.

the Bank will not develop a relationship with companies presenting one or more cases of exclusion as defined above.

In the event of a significant divergence between the policies of the client and the Bank, the Bank will assess the client's strategy in more detail and the recommendation of the CERES⁸ committee will be required.

c) Dialogue

Crédit Agricole CIB will communicate its climate strategy and its commitments related to thermal coal to its customers. The Bank will present to its clients its services to support them in the transition, in particular in terms of financing and advice on decarbonized assets. The Bank will encourage all its customers exposed to thermal coal to adopt a *Public and Credible Transition Plan*, including a *2030-2040 Coal Exit Calendar*. Those aspects will be the subject of at least one annual meeting with the client.

4. Definitions

a) Thermal Coal Assets

Thermal Coal Assets include :

- thermal coal power plants,
- thermal coal mines and
- transport infrastructures dedicated to thermal coal, i.e., more than 90% of the mass transported is thermal coal.

b) Transition Plan

For each *Entity*, a *Transition Plan* (or equivalent approach) should include:

- a baseline climate scenario, ideally close to or comparable to the Net Zero 2050 scenario, and a decarbonization trajectory in line with this baseline scenario, including quantitative decarbonization targets within 10 years,
- a carbon energy divestment strategy, including a *2030-2040 Coal Exit calendar*, preferably relying on the closure of *Thermal Coal Assets* rather than their sale, and a decarbonization investment strategy (carbon-free energy production, storage and distribution, carbon capture, etc.),
- a governance, managerial will and consistent means to achieve these objectives.

The analysis of the *Transition Plan* (or equivalent approach) will be based (without concern for comprehensiveness) on any document and information from the company, in particular on the ESG and/or annual reports, the presentation of public commitments, the business plans and the company's strategy, strategic information communicated by a company senior executive, on the actions already undertaken (for example: history of closures of assets related to thermal coal), among others.

Depending on the elements available, potentially including non-public information collected directly from its customers, Crédit Agricole CIB will assess whether a *Transition Plan* is Credible. Crédit Agricole CIB establishes its opinion on the Credibility of a *Transition Plan* (or equivalent approach) on the basis of an overall assessment,

⁸ Evaluation Committee for transactions involving an environmental or social risk.

and therefore not necessarily exhaustive with regard to the elements described above, according to the specific context of each *Entity*.

If all the elements necessary for the analysis of this *Transition Plan* are available in public documents, the *Transition Plan* will be deemed *Public and Credible*.

c) Development

Any *Entity* will be considered as a *developer* if it has projects for the construction of new thermal coal-fired power plants, of transport infrastructures or thermal coal mines, or if it plans to increase its mining capacities for the production of thermal coal. An *entity* would not be considered as developer in the event of the acquisition of a *thermal coal asset* that it undertakes to close according to a *2030/2040 Coal Exit Calendar*. The conversion or installation of carbon capture on an existing plant is not considered a development.

Only assets corresponding to a capacity of more than 300MW are considered.

When data is available and reliable, own-account developments are taken into account (eg, a steelmaker owning a mine and using thermal coal).

d) Entity and segregation

An *Entity* is a counterparty considered autonomous for its financing. Within the same group, subsidiaries may be considered as separate (or “*segregated*”) *Entities*, in the event of *segregation* defined by compliance with one of the following criteria:

- subsidiary dedicated to a project or activity, with no financial link with the parent company other than the disbursement of equity, dividends collection and standard project guarantees **or**
- independent subsidiary in its financing (i.e., not benefiting from a guarantee from another *Entity* of the same group, benefiting from its own rating and raising its own financing) **or**
- minority subsidiary, i.e. subsidiary held directly or indirectly at less than 50%.

Depending on the legal and financial organization of its financing, a conglomerate may thus be considered as a single *Entity*, or as several *Entities*.

As a world leader in asset financing, Crédit Agricole CIB has the ability to trace the use of its funds, in particular when the bank finances projects or dedicated companies. By financing the development of low-carbon assets for clients potentially exposed to coal, Crédit Agricole CIB is actively contributing to the decarbonisation of the economy.

The notion of *segregated entity* thus enables Crédit Agricole CIB to finance low-carbon *entities* developed by players with coal exposure, provided that those *entities* are *segregated*, or to finance *entities* unrelated to thermal coal within groups having potentially an interest in a *segregated entity* subject to exclusions.

e) Exposure

Crédit Agricole CIB's *Exposure* to thermal coal is the sum of the *Exposures* on all the Financed *Entities* for which part of the turnover is linked to the sale of thermal coal, the transport of thermal coal or the sale of electricity produced from thermal coal.

The *Exposure* to thermal coal is calculated in EAD (Exposure At Default), based on financing dedicated and non-dedicated to coal, compared to the share of thermal coal in the turnover of each customer. In the absence of revenue data for the thermal coal business only, the revenue for the coal business as a whole is used (thermal and metallurgical). This calculation is made using customer data and data purchased from external suppliers, using the latest available data as a priority (the most recent data). Customers whose share of thermal coal represents strictly less than 1% of their turnover are not taken into account in the calculation of CACIB's coal *exposure*.

f) Financial Service

A *Financial Service* is considered to be rendered to an *Entity* when the *Entity* is the legal counterparty of Crédit Agricole CIB. By extension, all financial services are included in this definition, in particular (without concern for exhaustiveness) corporate financing operations, export financing, guarantees, deposits and market operations (including equities, bonds, etc.), among others.

In the case of an excluded *Entity* under this appendix, Crédit Agricole CIB reserves the right to position itself on an advisory mandate relating to energy transition.