

Crédit Agricole CIB CSR Sector Policy - Metals and Mining Sector – 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 Metals and Mining sector.

For the purposes of this policy, the metals and mining sector covers (i) the exploration and mining of metal ores (ferrous, non-ferrous, precious, uranium, etc.) or non-metal ores (coal, phosphate, potash, etc.), (ii) the transport of ores from the mine site to the port of export, and (iii) the conversion of ores into primary metals or products (mineral processing, heap leaching, primary metallurgy) but excludes recycling and metalworking activities¹.

The Bank's dedicated financing services related to the development, construction, or expansion of a mining or metallurgical facility are covered by sections 4 and 5 of the Policy.

Other forms of involvement pertaining to mining or metallurgical companies are covered by section 6 of the Policy.

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

Metals are primarily used for production of capital or consumer goods. Uranium and fossil energies are also important primary energy sources for electricity generation. Lastly, other mineral substances such as phosphates and potash are necessary for agriculture and the chemical industry. The mining industry therefore appears to be essential to the economy.

However, mining and metallurgical activities can produce critical negative environmental and social impacts. These include, in particular, greenhouse gas emissions, impacts on biodiversity (impacts on natural or critical habitats and ecosystem services), and social impacts (physical and economic population displacements, community health and safety).

Recycling has become a very important source of metals. Significant savings measures are taken by agriculture and the chemical industry concerning the use of non-metallic resources (notably fertilizers). However, these measures do not make it possible to go without a primary source of raw materials, and mining production is therefore necessary² even if its level of production depends on political choices (recycling requirements, energy policies, etc.). It is therefore essential for environmental and social aspects to be properly assessed and managed. Similarly, a good governance is a critical factor for the extractive industry to contribute sustainably to the economic growth of producing countries.

¹ Metalworking covers, in particular, the production of metal parts for the construction industries (e.g. aluminium foundries for the automotive industry and steel rolling mills).

² The global growth of industrial production and the average lifetime of goods affect the need for a primary source of metals.

Coal raises a particular dilemma to the extent that, while a significant share of the global energy mix is still based on its combustion, the current development of the coal industry seems incompatible with the international agreement to combat climate change.³

This Policy supplements the energy policies of States and the investment policies of the Bank's clients and is not intended to replace them. It aims to specify the Bank's CSR⁴ criteria in the metals and mining sector and the Bank's conditions of involvement based on the identified societal issues. It supplements the implementation of the Equator Principles within their scope.

3. Frame of reference

The Bank's activities 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 International Council on Mining and Metals (ICMM);
- The standards of the World Bank group and in particular of the International Finance Corporation (IFC) Performance Standards and Environmental, Health, and Safety Guidelines;
- The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas relative to tin, tantalum, tungsten, their ores and mineral derivatives, and gold;
- The rules adopted by the US Securities and Exchange Commission (SEC) and the principles proposed by the European Union (EU) Parliament on the disclosure of payments by resource extraction issuers;
- The International Cyanide Management Code for the gold mining industry;
- The Kimberley Process for the diamond industry;
- The ITRI Tin Supply Chain Initiative (ITSCI) for tin minerals traceability in central Africa;
- The World Nuclear Association (WNA) Sustaining Global Best Practices in Uranium Mining and Processing;
- The Extractive Industries Transparency Initiative (EITI);
- The Voluntary Principles on Security and Human Rights.

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

4. Exclusion criteria

The Bank will not support the following activities:

- o Thermal coal mining;
- o Asbestos mining;
- o Artisanal mining;
- o Activities that have a critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention;
- o 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 exclude 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 ESMS, protection of the fundamental rights of workers, population displacements, management of wastelands, closure and restoration plans, biodiversity conservation, impact on critical natural habitats, consent of indigenous peoples, and protection of cultural heritage;

³ Cf. the Group's work with the International Panel on Climate Change and in particular volume 3 of the IPCC 5th Assessment Report.

⁴ Corporate and Social Responsibility.

- The relevant initiatives listed in section 3 (International Cyanide Management Code for gold mining, Kimberley Process for diamonds, ISTCI for tin minerals, WNA Sustaining Global Best Practices for uranium);
- Public consultation or, where applicable, consent of affected indigenous peoples;
- Inter-State consultations in the event of major cross-border impacts.

5. Dedicated financing

1. Analysis criteria

The Bank will analyse every financing operation associated with construction or expansion of a metal or mining facility according to the following criteria:

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

- Quality of the environmental and social impacts assessment;
- Quality of the plans for managing these various impacts;
- Quality of accident management plans (in particular, hazardous substances spill preparedness plan);
- Consultation of affected populations and, where appropriate, consent of indigenous peoples;
- Establishment of a grievance mechanism at the project level;
- Disclosure of relevant information (including the payment of revenues to governments according to EITI, SEC, and EU principles and rules);
- Inter-State consultations in the event of cross-border impacts.

Environmental commitments:

- Potential impacts on biodiversity and eco-services;
- Pollutant emissions (including management of wastelands and greenhouse gas emissions);
- Management of water resources;
- Mine site closure and restoration plan.

Social and human rights commitments:

- Labour rights and working conditions including compliance with the International Labour Organization (ILO) core conventions⁵;
- Community health and safety;
- Impact on local communities (physical or economic population displacements);
- Rights of indigenous peoples on traditional lands;
- Origin and conditions of production of ores in the case of processing facilities (traceability processes);
- Impact on cultural heritage.

The quality of the assessment and management of these impacts will be measured against the IFC Performance Standards and the relevant Environmental, Health, and Safety Guidelines, with particular emphasis on whether the client has established and maintains an Environmental and Social Management System (ESMS) commensurate with the level of its environmental and social risks and impacts and aimed at monitoring impacts and mitigation measures over time.

Due to the many issues raised, the Bank will assume that artisanal mines do not comply with IFC Performance Standards.

Asbestos mining projects also raise critical social issues due to the lack of regulation for the use of asbestos in some countries.

Concerning existing assets, the analysis will focus on the management plans and will seek to determine identify any material gap with respect to the standards mentioned above.

⁵ ILO's 8 core conventions relate to elimination of forced and compulsory labour (C29 and C105), effective abolition of child labour (C138 and C182), elimination of discrimination in employment and occupation (C100 and C111), and freedom of association and effective recognition of the right to collective bargaining (C87 and C98).

2. Implementation

All transactions will be assessed against all the analysis criteria above, and the Bank will seek to determine whether an exclusion criterion exists.

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 8 below.

Compliance with the environmental and social impact management plans will be monitored in cooperation with the Bank's CSR 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 mining.

The Bank expects its clients to develop good practices and behaviour to limit their environmental & social impacts in accordance with sections 4 and 5 of this Policy, to adhere to industry good practice principles (such as those defined by the ICMM or the World Bank group and the relevant industry initiatives), and to respect the principles and rules adopted by the OECD, SEC, and EU with respect to payment disclosure and responsible supply chains.

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 system. Support for the principles of the ICMM and the EITI and the relevant initiatives listed in section 3 or membership in these organizations or initiatives will be a strong consideration. The analysis will also assess whether the client monitors climate impacts, implements mitigation measures and is publicly reporting on these aspects (website, annual report⁶, etc.). In particular, the Bank will not develop a relationship with companies significantly involved in asbestos or artisanal mining activities.

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.

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

8. References and glossary

International Council on Mining and Metals (ICMM):

<http://www.icmm.com/en>

Extractive Industries Transparency Initiative (EITI):

<http://eiti.org/>

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>

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas:

<https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>

Rules adopted by the US Securities and Exchange Commission (SEC) on disclosure of payments:

<http://www.sec.gov/news/press/2012/2012-164.htm>

International Cyanide Management Code for the gold mining industry:

<http://www.cyanidecode.org/>

Kimberley Process:

<https://www.kimberleyprocess.com>

ITRI Tin Supply Chain Initiative (ITSCI):

<https://www.internationaltin.org/>

World Nuclear Association Sustaining Global Best Practices in Uranium Mining and Processing:

http://www.world-nuclear.org/uploadedFiles/org/WNA/Publications/WNA_Position_Statements/PD-UraniumMining.pdf

Voluntary Principles on Security and Human Rights:

<http://www.voluntaryprinciples.org/wp-content/uploads/2019/12/TheVoluntaryPrinciples.pdf>

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/>

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.