

Sector policy - HYDROCARBONS sector (Oil & Gas)

Introduction

Crédit Mutuel Alliance Fédérale, which is a company with “Entreprise à mission” status, wants to work towards a fairer and more sustainable society. To this end, the group wishes to strictly monitor operations in sensitive sectors involving social and environmental risks. Being concerned about taking these issues into account responsibly, the group has undertaken to define sector policies aimed at delimiting the scope of action and establishing criteria and principles to be observed during the performance of its activities and thus contributing to the ecological transformation and social progress.

The measures stemming from these policies apply to the entire group, subject to compliance with the legal and regulatory provisions applicable to each entity.

These measures may be revised each time the group deems it necessary.

Crédit Mutuel Alliance Fédérale implements a responsible policy in keeping with its mutualist values. Its ambition is to support its clients in the transformation of their business model and thus contribute to the fight against global warming, reduced biodiversity, and environmental degradation.

In line with its commitments made in October 2021 to halt all financing of new exploration, production, infrastructure¹ (oil and gas pipelines and storage units) or processing (oil refineries, gas liquefaction terminals) projects in the oil and gas sector, Crédit Mutuel Alliance Fédérale is reinforcing its approach and adopting restrictive thresholds in accordance with a defined schedule.

Crédit Mutuel Alliance Fédérale will refrain from providing banking and financial services to companies listed in the NGO Urgewald's Global Oil & Gas Exit List (GOGEL) whose:

- share of production of non-conventional hydrocarbons is higher than 25% from 1st January, 2023;
- share of production of non-conventional hydrocarbons is higher than 20% from 1st January, 2024.

This voluntary trajectory is also in line with the objective of carbon neutrality by 2050.

The non-conventional hydrocarbons concerned by the application of the thresholds are:

- shale oil or gas,
- oil derived from oil sands,
- heavy² and extra-heavy³ oil,
- deep water oil or gas⁴,
- oil or gas extracted in the Arctic⁵,
- coalbed methane.

Beyond compliance with the thresholds, Crédit Mutuel Alliance Fédérale will determine the continuity of its financial support conditional on companies committed to a detailed public climate trajectory in line with the objectives of reducing the carbon footprint of its credits, investments and insurance portfolios.

Furthermore, Crédit Mutuel Alliance Fédérale maintains its financing and investments for companies in the fossil fuel sector that are publicly committed to a strategy of adapting their activities to promote the energy transition, through financing and/or investments dedicated to renewable energy infrastructures.

¹ Except application of the maritime sector policy: https://www.bfcm.creditmutuel.fr/partage/fr/CC/BFCM/assets/articles/rsm-politiques-sectorielles/Politique_Mobile_Secteur_Maritime.pdf

² Density between 22.3° and 10° API (American Petroleum Institute).

³ Density less than 10° API.

⁴ Deep-sea oil: deep-sea oil activity is defined as the exploration, development and production operations on offshore oil fields that are located at depths exceeding 5,000ft (1,500m).

⁵ The Arctic Monitoring and Assessment Programme (AMAP) covers eight countries bordering the Arctic Ocean: Canada, Denmark (including Greenland), Finland, Iceland, Norway, Russia, Sweden and the United States (Alaska), with associated marine areas, for a total surface area of approximately 18 million km².

Crédit Mutuel Alliance Fédérale implements the present sector policy - hydrocarbons sector which falls within the framework of the Corporate and Social Responsibility (CSR) policy.

It acknowledges:

- The existence of conventions, international standards and national regulations specific to the hydrocarbons sector;
- The contribution of this sector to other economic activities and its non-substitutability on a large scale given current technologies;
- The role of the hydrocarbons sector in the economic development of many countries;
- The necessary competence of the various players involved in the implementation of a project or the management of an operation in order to control and mitigate the environmental and social impacts related to this activity.

1 Scope

Crédit Mutuel Alliance Fédérale aims to support its corporate clients and partners by adopting an exemplary approach to corporate and social responsibility.

The hydrocarbons sector covers conventional and non-conventional oil and gas exploitation. The major difference between conventional and non-conventional hydrocarbons concerns extraction techniques. Non-conventional hydrocarbons are natural hydrocarbons identical to the former but produced by extraction techniques other than traditional vertical drilling.

Definitions:

Conventional hydrocarbons: hydrocarbons formed at great depths in the bedrock and which have migrated, due to high pressures, to porous and permeable rock called a reservoir. In order for this reservoir to have been created, impermeable rock also had to cover it and prevent these fluids from rising to the surface. These fuels are easy to extract by simple vertical drilling and pumping.

Non-conventional hydrocarbons: hydrocarbons trapped in rocky formations with low permeability, requiring hydraulic or chemical fracturing processes for their extraction. Non-conventional hydrocarbons also include heavy and extra-heavy oils that require not only extraction methods but also a specific refining process. Sources of non-conventional hydrocarbons include: shale oil and gas, oil derived from oil sands, heavy and extra-heavy oils, deep-sea oil, oil extracted in the Arctic and coalbed methane.

This policy applies to project finance⁶, asset and acquisition finance, long/short-term investments⁷, corporate finance, issuing of guarantees, financing international trade operations⁸, and services and financial advice provided to companies in the hydrocarbons sector.

In particular, it covers operations relating to:

- Exploration and drilling,
- Development and exploitation of the field,
- Transport infrastructures,
- Refining and liquefaction.

⁶ In this context, "project finance" is understood as a category of specialised finance (defined in particular by Article 147.8 of Regulation (EU) No. 575/2013) which meets specific criteria. Such criteria, as validated by the French Prudential Supervision and Resolution Authority (ACPR) in October 2012, are used for establishing the eligibility of operations relating to the project finance portfolio.

⁷ Management for their own or third party account, excluding the passive management called indexed management.

2 Frame of reference

Crédit Mutuel Alliance Fédérale ensures that requests for financing, long/short-term investments, issuing of guarantees, supply of financial products and services covered by the sector policy comply with the relevant legislation, international conventions and standards relating to the control of the environmental and social impacts of the sector's activities (an indicative list of reference texts is provided in the appended bibliography).

3 Analysis criteria

Crédit Mutuel Alliance Fédérale's decision-making process for all types of financing, long/short-term investments, issuing of guarantees, and services and financial advice depends on the host country, the nature of the operations financed and the companies' general commitments to sustainable development across their business. In this area, the analysis will be based in particular on the extra-financial rating provided by an expert and independent agency when available.

In addition, the group commits not to systematise its opinions, as no operation is identical to the previous one, and it will be particularly attentive to the corporate and social responsibility policy developed by its clients and in line with its commitments and mutualist values, particularly in banking and financial services operations.

3.1 Host country eligibility criteria

The group may take part in the financing of banking and financial operations provided that the country where the hydrocarbon extraction and processing site is located is not subject to international financial sanctions applied by the French, European or international⁹ authorities covering the hydrocarbons sector.

The group requires companies to comply with the local laws and regulations applicable in the host country, as well as the international conventions ratified by the countries in which the companies are managed.

⁸ The financing of international trade operations aims to finance, for a corporate client, its imports, exports or investments carried out by its international subsidiaries (outside the framework of project finance as defined above), or to guarantee financial risks related to these operations.

⁹ A list of countries subject to sanctions is maintained by the group's Compliance Department.

In addition, all project financing and export credits are subject to a risk analysis including the regulatory context, country risk including internal compliance due diligence, and economic and environmental issues.

3.2 General terms and conditions applying to banking operations with parent companies or subsidiaries operating in the hydrocarbons sector

Crédit Mutuel Alliance Fédérale expects its clients to develop good practices and behaviour that limit the environmental and social impact of their activities.

Crédit Mutuel Alliance Fédérale will carry out an analysis of companies in the hydrocarbons sector seeking financing, long/short-term investments, issuing of guarantees or other financial services on the basis of the following evaluation criteria:

- Development of CSR policies and implementation procedures that are commensurate with their potential impacts.
- Social and human rights commitments (labour law and working conditions, including respect for the ILO's fundamental conventions, community health and safety, impact on local communities,

- physical or economic displacement of populations, impact on cultural heritage).
- Commitment to provide information at the company level (such as energy consumption, water consumption, waste generation, greenhouse gas emissions, etc.).
- Membership of/support for relevant associations or initiatives related to good industrial practices in the sector (IPIECA, EITI, IEA, IOGP, GGFR, etc.).

The relevance of these criteria will be assessed for each company, and they may be supplemented by other indicators adapted to the activity.

4 Means

Unless otherwise indicated, the data and information in this policy pre-date its initial dissemination. Moreover, in order to ensure compliance with the criteria and principles laid down under its Sector policy – Hydrocarbons sector, Crédit Mutuel Alliance Fédérale may use and rely on the expertise, valuations and/or information provided by various experts or external service providers selected with reasonable care, and it also draws on information provided by the hydrocarbons sector companies concerned.

BIBLIOGRAPHICAL APPENDIX

Standards, conventions, initiatives or recommendations:

- The International Finance Corporation's (IFC) Performance Standards and the World Bank Group's General Environmental, Health and Safety Guidelines for the Oil and Gas Sector;
- The EITI (Extractive Industries Transparency Initiative) Standard;
- The ILO's Conventions and Recommendations;
- The 2003 amendment to Annex 1 of the International Convention for the Prevention of Pollution from Ships (MARPOL) concerning the prevention of pollution by oil, as well as the other criteria of the MARPOL Convention where applicable. The Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR Convention).
- The International Association of Oil & Gas Producers (OGP);
- The International Energy Agency (IEA);
- The Global Gas Flaring Reduction Partnership (GGFR).