

Crédit Agricole Group CSR sector policy Thermal coal

- April 2024 -

Introduction

Principles

The CSR sector policies published by Crédit Agricole explain the social, environmental and societal criteria introduced in its financing, investment and insurance policies.

These criteria mainly reflect the societal issues that seem most relevant to Crédit Agricole's activities in the relevant sectors, particularly when it comes to upholding human rights, tackling climate change and preserving biodiversity.

This policy on the thermal coal sector covers the general principles that apply to all the financing, investment, asset management and property insurance businesses of the Crédit Agricole S.A. group ("the Group") - with the specific characteristics of the businesses being adapted from an operations perspective by each relevant entity.

1. Scope

Relevant activities

The following Group Activities are covered:

- All **financing activities** ("dedicated and non-dedicated financing services") provided by the Group: credit, debt and equity markets, guarantees and advisory activities, etc.;
- **Investment activities** ("investments") which include:
 - o For the insurance activity:
 - Investments made directly in equities and bonds and in dedicated funds in respect of euro funds for life insurance policies.
 - Proprietary investments made directly in equities, bonds and dedicated funds by insurance companies¹.
 - o For the banking activity:
 - Proprietary investments made directly in equities and bonds in respect of the liquidity portfolio.

¹ The treatment of open-ended funds will be specified in a specific policy on insurance.

- **Asset management** on a proprietary basis or on behalf of third parties (“asset management”). External asset managers are encouraged to apply similar standards.
- **Property insurance** (“insurance”).

Definitions

Thermal coal-related activities include:

- Coal-fired power plants that are fully or partially operated by burning coal;
- Thermal coal mining;
- Transport infrastructure used for thermal coal: construction, extension, operation, acquisition and/or ownership of maritime and land transport infrastructure. In this instance, the “operation” of the infrastructure is understood as the management, upkeep and maintenance of the infrastructure itself and does not include the commercial activities and services rendered possible by the facilities.

2. Sector issues and reference frameworks

Coal still plays a significant role as a global energy source, particularly for electricity generation. Coal remains the number one resource for electricity generation worldwide, with a share of around 35%² due in particular to the size and geographical distribution of reserves, as well as the associated low costs of power generation.

As coal is also the source of energy with the highest carbon content, the greenhouse gas (GHG) emissions it produces make it the main factor in climate change.

For these reasons, a rapid end to the use of this form of energy is considered a key issue in limiting the average increase in global temperature to 1.5 - 2°, as targeted by the 2015 Paris Agreement:

- The scenarios put together by the International Energy Agency that are compatible with this objective hinge on a rapid reduction in the use of thermal coal as a form of energy by 2030 in OECD and European Union countries and by 2040 in the rest of the world;
- The work and 1.5°C scenarios of the Intergovernmental Panel on Climate Change (IPCC) have highlighted the high level of greenhouse gas emissions generated by coal use, prompting the shutdown in the near future of coal infrastructure (mines, power plants, transport) on a global scale.

The Group has based its financing and investment policy in this sector on this work. The policy echoes the international climate initiatives supported by Crédit Agricole, in particular the coalitions that Crédit Agricole has joined in the financial sector to commit to carbon neutrality by 2050 (*the Net Zero Banking Alliance, Net Zero Asset Owner Alliance, Net Zero Asset Managers Initiative and the Net Zero Insurance Alliance*).

² International Energy Agency (2020 data).

In keeping with the 2015 Paris Agreement and with its own commitments to align with the trajectory of the Paris Agreement, starting in 2019, the Group has:

- Been committed to reducing its exposure to thermal coal to zero by 2030 in OECD and European Union countries, and by 2040 in the rest of the world;
- Called on companies significantly active in the thermal coal sector which it finances and in which it holds investments to implement and publicly communicate a thermal coal exit plan that is aligned with the 2030/2040 timetable.

3. Principles applying to activities and companies in the thermal coal sector

Companies and activities in the coal sector are analysed according to three major parameters: the existence of projects to develop new coal capacity, the threshold of revenue derived from thermal coal and the communication of an exit plan aligned with the 2030/2040 timetable.

✓ Existence of projects to develop new thermal coal capacities

Companies that are effectively developing new thermal coal capacities (mines, coal-fired power plants or dedicated transport infrastructure) are excluded.

The Group also monitors and takes into account projects for which a development decision has been made and translated into a public announcement or an application for a building permit (or equivalent depending on the regulations in the country in question).

With regard to the construction of new coal-fired power plants, only development projects with a capacity of more than 300 MW are considered. With regard to the construction of mines, the majority companies are considered to hold the assets.

These rules apply to companies that are developing new thermal coal production capacities, including for their own needs (subject to the availability of data).

✓ Request for an exit plan from the thermal coal sector, aligned with the 2030/40 timetable

The Group asks companies that are significantly active in the thermal coal sector to draw up an exit plan from this sector that fits in with the 2030/2040 timetable. The Group will apply different assessment criteria according to whether or not the exit plan has been publicly announced.

When analysing the exit plan, the Group will favour the shut down of coal assets rather than their sale.

This analysis parameter, combined with the parameter relating to the threshold of revenue derived from coal, will determine whether or not the Group's entities can include in their portfolios a company that is active in thermal coal, and offer such companies the Activities described above³.

✓ Revenue threshold linked to thermal coal

Above a certain threshold of revenue derived from thermal coal, set at 25% at Group level, any company linked to thermal coal (mines, power plants, transport infrastructure) will be subject to a monitoring procedure that may lead to exclusion where the actual decrease is behind the 2030/2040 exit timetable. Modalities of implementation will depend on the

³ This does not cover subscriptions in asset management funds by a company in the sector.

specificities of the Group's entities - stipulated in the businesses versions of this Group sector policy.

Group entities have the option of applying a more suitable threshold (below the Group threshold of 25%) that is specific to their activities.

4. Implementation of the policy within the Group

The Group's entities formalise, for the needs of their business lines, the procedures for the operational implementation of this policy, with appropriate consideration of the specific characteristics of their activities and businesses.

These procedures include in particular:

- A governance and delegation/decision-making system,
- The specification of the essential operational procedures for the application of policy,
- A system for monitoring implementation.

Overall thermal coal exposures are monitored at Group level.

5. Communication and follow-up

This policy is public and, as such, is published on the Group's website in the interests of transparency, which the Group is committed to as part of its CSR policy.

The Group will continue its dialogue with all stakeholders who wish to provide constructive opinions or comments.

This policy will be reviewed periodically and whenever the context or circumstances require, with due consideration of regulatory factors in particular.