



Sector policy – COAL SECTOR

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, biodiversity loss, and environmental degradation.

The group has thus set the objective of reducing the coal exposure of its financing and investment portfolios to zero by 2030 for all countries worldwide and to no longer provide support to companies active in the coal sector beyond 2030.

All Crédit Mutuel Alliance Fédérale entities apply the following restrictive measures:

- immediate exclusion when this policy enters into force of any financial support to companies developing activities in the coal sector¹ throughout the value chain.
- exit from all positions taken by the investment and asset management business lines in companies developing activities in the coal sector throughout the entire value chain.

Crédit Mutuel Alliance Fédérale will make continuity of its financial support to client companies exposed to the coal sector conditional on the publication of a dated and detailed plan for the closure of all their coal assets by 2030. The analysis of these requests may be subject to an escalation procedure to General Management for a decision.

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

1 Scope

This policy applies to the coal sector throughout the value chain and notably to project finance², asset and acquisition finance, long/short-term investments³, corporate finance, issuing of guarantees, financing international trade operations⁴, and services and financial advice provided to:

- mining sector companies (exploration, planning, development of equipment, accessories, and civil engineering installations, buildings and structures, including associated facilities, operation, closing of a mine and site renovation, the initial transformation of ore on the site, transportation of the ore);

- companies producing electricity from coal-fired plants or active in the coal-fired power plant services sector (optimisation, servicing-maintenance, dismantling, etc.).

2 Analysis criteria

The ways in which Crédit Mutuel Alliance Fédérale interacts with companies operating in the coal sector primarily depend on applicable exclusion thresholds then the host country and the sustainability policy (sustainable development commitments) that the companies implement across the span of their business activity. In this area, the analysis will be based in

¹ The list of companies developing new coal capacity has been extracted from the Global Coal Exit List (GCEL), a database of references for the application of the coal sector policy. This list is updated annually and published by Urgewald (<https://www.coalexit.org/>). The 2023 version has identified about 1,400 parent companies, amounting to nearly 3,700 entities (including subsidiaries).

² 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.

³ Management for their own or third party account, excluding the passive management called indexed management

⁴ 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.

particular on the extra-financial rating provided by an expert and independent agency when available.

2.1 Exclusion criteria

Crédit Mutuel Alliance Fédérale entities will refuse all operations defined within the scope of application if the exclusion thresholds listed below are not respected:

- Annual coal production < 10 million tonnes,
- Installed coal power capacity < 5 GW.
- Coal share of revenue < 10%,
- Coal share of power production < 10%.

These non-cumulative exclusion thresholds will be revised downwards annually in order to ensure a gradual and total phase-out of coal activities by 2030.

Moreover, Crédit Mutuel Alliance Fédérale will not interact with companies developing new coal capacity.

2.2 Host country eligibility criteria

Crédit Mutuel Alliance Fédérale, after strict application of the exclusion thresholds, may take part in banking or financial operations with companies involved in coal-fired electricity generation, provided that the country in which the power plant is located:

- is not subject to any international financial sanctions applied by the French, European or international authorities in the coal sector,
- applies the reference international regulations and conventions in force,
- has regulation on social legislation guaranteeing employees working in coal sector companies minimum rights in line with those recommended by the International Labour Organization (ILO).

3 Banking operations with companies operating in the coal-fired power plant sector

3.1 Rules applying to banking operations with parent companies or subsidiaries operating in the mining sector

Mining sector companies that request to work with Crédit Mutuel Alliance Fédérale on financing operations, long/short-term investments, issuing of guarantees or other financial services, need to be able to satisfy one or more of the following conditions, in keeping with their regulatory commitments and published in their reference document:

- develop a system to monitor the environmental impact of their exploration and extraction activities, by limiting cleared areas and sterile volumes displaced by a deeper modelling of resources, and by making, for each extraction site, a regular report on erosion, acidic drainage, and impact on biodiversity,
- commit to a policy of reducing waste production and managing this waste: recycling of non-hazardous waste, landfill of hazardous

waste in sites that comply with international norms,

- promote the recycling of industrial flows: water, heat and steam from furnaces, be it for internal or external use (for heating networks),
- apply material separation procedures to value low-grade ores and/or recover ore from cleaning processes,
- reduce mining sites' water and electricity consumption, which is intrinsically high, and make use of non-fossil fuel sources (hydraulic, nuclear),
- regularly release indicators monitoring water and energy consumption, production and recycling of waste and polluting emissions,
- invest in programmes to renovate end-of-life sites (land remodelling, revegetation).

3.2 Rules applying to banking operations with electricity-generation companies

Companies operating in the coal-fired electricity generation sector that request to work with Crédit Mutuel Alliance Fédérale on financing, long/short-term investments, issuing of guarantees, international trade operations or other financial services, need to be able to satisfy the following conditions:

- Completion of an environmental impact review for each power plant: impact on biodiversity, treatment processes and reduction of emissions and effluents,
- Existence of a constant control and monitoring system for emissions and pollutant discharges (GHG emission values, water consumption, external controls, etc.),
- Satisfactory management of water resources,
- Existence of a plant optimisation or modernisation plan,
- Consideration of social impacts: prevention plan to protect employee health and safety, accident management plan in the event of contact with hazardous substances and dedicated reporting,
- Measurement of impacts on local populations in the close vicinity of power plants,
- Compliance with rules known as Equator Principles or those laid down by the World Bank,
- Compliance with all the operating administrative authorisations,
- Economic rationality of the relevant power plants, i.e. they should respond to a strategic economic need: cutting-edge power plant operating as a backup for less polluting production tools, and/or base load power plant for which substitution by another less polluting solution is not feasible in the medium term for technical or budgetary sustainability reasons.

3.3 Specific rules concerning the financing of coal-fired power plants undergoing reconversion

Crédit Mutuel Alliance Fédérale will honour its current contractual commitments and will refrain from renewing the various lines of financing and/or positioning new bank loans, including for coal cogeneration projects.

Projects to convert a coal-fired power plant to the use of renewable energies alone could be considered. Conversion projects towards a biomass installation will also have to benefit from satisfactory supply plans allowing sustainable management of resources.

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 – Coal 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 coal sector companies concerned.

BIBLIOGRAPHICAL APPENDIX

Standards, conventions, initiatives or recommendations:

- The ten fundamental principles of the International Council on Mining and Metals (ICMM);
- The World Bank Standards and notably the International Finance Corporation (IFC)'s Performance Standards and the general Environmental, Health and Safety (EHS) Guidelines and those specific to mining operations;
- ILO Conventions, notably the Safety and Health in Mines Convention (No. 176), the Minimum Age Convention (No. 138), the Worst Forms of Child Labour Convention (No. 182), the Forced Labour Convention (No. 29), the Right to Organise and Collective Bargaining Convention (No. 98), and the Indigenous and Tribal Peoples Convention (No. 169);
- United Nations Framework Convention on Climate Change (UNFCCC), complementary protocols adopted at this convention (notably the Kyoto protocol) and agreements ratified by certain countries (Copenhagen Treaty);
- The Greenhouse Gas Protocol of the WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development);
- The Carbon Disclosure Project;
- The World Bank Standards and notably the International Finance Corporation (IFC)'s Performance Standards and the general Environmental, Health and Safety (EHS) Guidelines and those for thermal power plants, for mining operations and for the transportation and distribution of electricity;
- Guidelines for financial services related to the energy sector and coal-fired power plants issued by the French study centre for corporate social responsibility (*Observatoire sur la Responsabilité Sociétale de l'Entreprise*).