

Crédit Agricole accelerates its climate commitments

Crédit Agricole Group presents today its measures to strengthen and accelerate its climate strategy and announces its new decarbonisation trajectories of its financing portfolios to achieve carbon neutrality by 2050.

Philippe Brassac, Chief Executive Officer of Crédit Agricole S.A. said:

« In a context of climate emergency, we need to amplify our commitment towards measures supporting the transformation of society. The strengthening of our climate strategy means to focus and amplify our commitments towards the energy sector, by focusing and strengthening our financial resources towards renewable energies.

Furthermore, we will not finance any new fossil fuel extraction projects and we will adopt a selective approach to support energy players engaged in this transition, which will consequently reduce green-house gas emissions of this sector twice as fast as the Net Zero 2050 scenario defined by the International Energy Agency.

The strengthening of our climate strategy will be monitored and reviewed quarterly by the Group top management. »

Crédit Agricole's climate strategy is based on three complementary axes:

- Finance and invest massively in renewable energy, low-carbon infrastructure, clean technologies and energy-efficiency projects;
- Support all the customers in their social and economic transitions;
- Stop financing any new fossil fuel extraction projects and adopt a selective approach to support energy players engaged in this transition, which will consequently reduce green-house gas emissions of this sector twice as fast as the Net Zero 2050 scenario defined by the International Energy Agency

As highlighted by the debate taking place during the COP28, accelerating investment in and financing of low-carbon energy is imperative to effectively contribute to the urgent energy transition. We need to massively invest in renewable energy and the energy sobriety in order to decarbonise the economy.

Over a hundred countries, led by the European Union, expressed their intention to triple investments in renewable energy by 2030, as well as to double their financial efforts to improve energy efficiency by 2030. France, as well as some 20 other countries, signed a commitment to triple investments in nuclear power by 2050. In France, preferred renewable energies are solar power (multiply by 10 the generation capacity and exceed 100 GW by 2050) and offshore wind power with the creation about 50 offshore wind farms, with an objective of 40 GW in operation by 2050.

To support this dynamic, Crédit Agricole is expanding its action:

1. Strengthening commitments to the energy sector

- **Focus resources on renewable energies and low-carbon infrastructure:**
 - o triple our annual financing of renewable energy between 2020 and 2030¹ following the European Union's recommendation,
 - o increase by 80% of Crédit Agricole CIB's exposure to low carbon energies between 2020 and 2025, reaching €13.3bn in 2025,
 - o strengthen the financing capacity, up to €1bn, to support energy suppliers in financing their renewable energy production projects, low-carbon infrastructure and clean technologies as well as those involving energy efficiency.
- **Decrease financed emissions twice as fast as the Net Zero 2050 scenario, i.e.:**
 - o reduction of financed emissions linked to the Oil & gas sector to -75% by 2030 (vs 2020) versus -30% announced in 2022,
 - o no financing of any new fossil fuel extraction project (publication in Q1 2024 of total exposure to pre-existing fossil extraction projects in which the Group is still committed),
- **Corporate financing of energy companies:**
 - o no corporate financing of independent producers, dedicated exclusively to the exploration or production of oil and gas,
 - o review on a case-by-case basis according to a regularly updated assessment, taking into account their commitments in the transition.

2. New commitments in five sectors to strengthen Crédit Agricole's contribution to carbon neutrality by 2050

In 2022, Crédit Agricole identified ten priority sectors to set Net Zero trajectories. These ten sectors represent more than 75% of Crédit Agricole Group's GHG emissions and around 60% of its exposure. After the announcement in December 2022 of the 2030 targets for first five sectors, Crédit Agricole Group publishes today:

- **First very significant results for the trajectories announced in 2022 for the first five sectors** (Oil & Gas, Electricity, Automotive, Commercial real estate and Cement),

In the **Oil & Gas sector**: at the end of 2022, the decarbonisation target set for 2030 was already reached, i.e. 8 years ahead of the schedule. More specifically:

- -40% decrease in financed emissions (14.6 MtCO₂eq) at end 2022, well ahead of the 2030 target of -30%. The baseline was also revised downwards due to the improved quality of data (from 26.9 to 24.3 MtCO₂eq),

¹ Our ambition is to increase renewable financing structured by CATE/Unifergie to €3bn by 2030 from €1bn today, to reach a cumulative €19bn by 2030

- -17% reduction in Crédit Agricole CIB's exposure to oil extraction in 2022 vs 2020, including through its customers (\$6.1bn in 2022 vs \$7.3bn in 2020), in line with the -25% reduction target in 2025.

In the **Power sector**, a -16% decrease in the carbon intensity compared to the 2020 baseline, in line with the target. More specifically:

- -16% decrease in the carbon intensity of our financings (188 gCO₂eq/KWh) at end 2022 compared to the 2020 baseline, slightly ahead of the ambitious target of 58% in 2030. The financed energy mix increased from 50% low-carbon energy in 2020 to 60% at end 2022 (renewable and nuclear energy). A 35% rise in the financed renewable energy production;
- significant increase of Crédit Agricole CIB's exposure to low-carbon energy, incl. through its clients (€10.5 billion at end 2022 vs €7.4 billion in 2020), in line with the +60% by 2025 target announced in 2022, and upward revision of this target to +80% in exposure to low-carbon energies by 2025 compared to 2020, i.e. an exposure of €13.3 billion in 2025;
- continued decrease in Crédit Agricole CIB's exposure to thermal coal, including through its clients, at €557 million in 2022 versus €623 million in 2020, in line with the commitment to a full exit by 2030 in the OECD and European Union and 2040 in the rest of the world.
- with its subsidiary Crédit Agricole Transitions & Énergies launched in September 2022, Crédit Agricole becomes a local energy player with a low-carbon energy supply offer initially intended for local authorities. This offer, which will open to other markets in a second time, promotes as much as possible direct distribution channels and self-consumption. Crédit Agricole Transitions & Énergies also develops a Corporate Power Purchase Agreement offer.

In the **Automotive sector**, a -8% decrease in the carbon intensity of financed emissions in 2022 compared to 2020, in line with the 2030 target.

In the **Commercial real estate sector**:

- stability of the carbon intensity of financed emissions in 2022 vs 2020 ;
- following the announcement of the trajectory in 2022, a decrease in the baseline from 46 to 36 kgCO₂eq/m²/year due to inclusion in the scope of the Regional Banks' portfolios, which are structurally less carbon-intensive and, more marginally, due to data quality improvement work that led to adjustments of the baselines of Crédit Agricole S.A. entities. Target to reduce carbon intensity by -40% in 2030 is maintained (compared to 2020) i.e. a 2030 target of 22 kgCO₂eq/m²/year (versus 27.7 previously).

In the **Cement sector**:

- slight increase of +3% in the carbon intensity of financed emissions in 2022 compared to 2020. For this small portfolio (less than 10 customers), the departure of several relatively less carbon-intensive customers triggered an automatic increase of the portfolio intensity which does not reflect the reality of the sector or that of Crédit Agricole's action.

- **Crédit Agricole's ambitions in five new sectors** (Residential real estate, Agriculture, Aviation, Shipping, Steel).

In the **Residential real estate sector**:

- **Crédit Agricole's current positioning:**
 - Crédit Agricole is a leader in its domestic markets; it finances one out of three acquisition projects in France, i.e. approximately 250,000 acquisition projects financed in 2023.
 - Beyond financing, Crédit Agricole is also a major player in the real estate sector and is among the top 4 in the institutional property management in France and among the top 5 in property services to individual customers.
- **Commitments:**
 - Crédit Agricole is committed to supporting property owners and contributing to the achievement of France's target of 12.4 kgCO₂e/m²/year by 2030. Decarbonisation will depend on the mobilization of all stakeholders (homeowners, public policy, construction sector) while reflecting the heterogenous nature of French regions.
- **Action plan:**
 - Crédit Agricole's action plan aims to:
 - Systematise dialogue with customer regarding global and energy-efficient renovation, particularly for transfers of properties with energy performance ratings (DPE) of E, F and G,
 - Develop innovative customer solutions, while involving its financial engineering. This is, for example, the purpose of *J'écorénove mon logement*, a platform launched in May 2023 which has so far received more than 650,000 visits over the year.
 - Adapt its credit and pricing policies to incentivise renovation work
 - Capitalise on its strong regional presence to strengthen its local actions specifically through partnerships and greater customer awareness.

For the **Agriculture sector**:

- **Crédit Agricole's current positioning:**

Crédit Agricole is a long-standing partner to the agricultural world: eight out of 10 French farmers are customers of the Group, which serves approximately 300,000 farms in France, for €45 billion in outstandings.
- **Commitments:**
 - Crédit Agricole is committed to supporting the agricultural world in its decarbonisation efforts while strengthening food sovereignty:
 - by providing support in relation to the roadmaps set by the industry and its sectors (work in progress),
 - by supporting the decarbonisation levers already identified by the sectors,
 - by adapting its support while respecting ecosystems, regions and stakeholders,

- throughout France and at farm level.
- **Action plan:**
 - At national level, Crédit Agricole has the ambition to serve the *Ferme France*² by structuring the voluntary carbon credit market (launch in Q1-24 of a platform cooperated with France Carbon Agri, connecting farmers with virtuous practices with corporates or collectivities wishing to contribute to carbon neutrality through the purchase of carbon credit in addition to the reduction of their own emissions), supporting innovation, and supporting the transition of the sector's upstream and downstream players (launch of transition funds for €500m with a €1bn target to finance the transition strategy of the sectors).
 - At regional level, Crédit Agricole will strengthen the support it provides to farmers in their transition process: by maintaining a dialogue with them to assess their maturity in transition-related matters, assisting them in their processes with dedicated tools and solutions, developing new offerings promoting renewable energy at farm level (methanation, solar energy, etc.).

For the **Aviation sector**:

- **Crédit Agricole's current positioning:**
 - Crédit Agricole is a leader in aeronautics financing with a book of more than 800 aircraft financed and loans outstanding of \$10 billion at end 2022.
 - Crédit Agricole is one of the founding members of ACAF³.
- **Commitments:**
 - Crédit Agricole has set itself an ambitious target: a -25% reduction by 2030 of CO₂eq emissions per RTK ("paying" transported tonne/kilometre) compared to 2019, in line with the 'Prudent' scenario developed by Mission Possible Partnership and ACAF, i.e. 750 gCO₂eq/RTK by 2030 (Well to Wake scope, i.e. including the upstream emissions related to kerosene production).
 - Reference year 2019 was chosen to neutralise the effect of Covid on traffic.
- **Action plan:**
 - Crédit Agricole will prioritise the financing of fourth generation aircraft, the most fuel efficient, and aims for a portfolio with more than 90% of such aircraft in its composition in 2030 (vs 33% in 2019).
 - Crédit Agricole will become involved in the sustainable aviation fuel value chain.
 - In addition, the ongoing dialogue with customers in terms of sustainability will continue.

² *Ferme France* means the French agricultural production ecosystem as a whole

³ Aviation Climate-Aligned Finance Working Group. A working group with the Rocky Mountain Institute aiming to create a collective aviation financing framework aligned with climate targets and to objectively measure the progress made by banks in reducing the emissions intensity of their loan books.

For the **Shipping sector**:

- **Crédit Agricole's current positioning:**
 - Crédit Agricole is a leader in shipping financing with a book of more than 1,100 ships financed and loan outstanding of €12 billion in 2022.
 - Crédit Agricole is a signatory to the Poseidon Principles⁴ and a member of the 1.5° Initiative for Shipping⁵.
- **Commitments:**
 - Crédit Agricole intends to reduce by -36% its gCO₂/DWT.nm⁶ financed emissions by 2030 compared to 2020 (Well to Wake scope, i.e. including upstream emissions linked to fuel production). This first decrease is part of decarbonisation trajectory of the shipping sector under given assumptions of « 1,5° or low overshoot ».
 - Crédit Agricole thus is aiming for an intensity of 3.98 gCO₂/DWT.nm in 2030 for cargo shipping.
 - The scope excludes passenger transport for the time being until the CII carbon intensity indicator of the International Maritime Organization is corrected to take into account the specificities of passenger ships (expected by 2025).
- **Action plan:**
 - Crédit Agricole will work with its clients to assess the carbon score of each vessel in the portfolio or proposed for financing, and implement measures to finance the necessary investments (retrofit financing) aligning with the bank's Net Zero policy for ships allowing it.
 - Crédit Agricole will develop an active policy for financing the construction of new vessels using green fuel, in collaboration with export credit agencies, in order to:
 - support its customers in their new generation vessels orders,
 - accelerate the scrapping of the most polluting vessels.
 - Crédit Agricole will continuously improve its methodology in line with regulatory and industry requirements.

For the **Steel sector**:

- **Crédit Agricole's current positioning**
 - The steel sector represents a €1.5 billion loan book at CACIB level in 2022.
 - In 2020, the financed emissions amounted to 1.88 tonnes of CO₂ per tonne of crude steel financed by the Group.
 - In September 2022, Crédit Agricole CIB became a signatory to the Sustainable STEEL Principles.

⁴ The Poseidon Principles are the first autonomous sectoral climate alignment agreement in the world between financial institutions. The Principles provide a global framework to assess and disclose the climate alignment of financial portfolios in shipping. They are consistent with the policies and ambitions of the International Maritime Organization.

⁵ A group of 10 shipping financing banks formed the 1.5°C Initiative for shipping and tasked DNV Maritime Advisory with creating ascending trajectories that are "ambitious but realistic" while meeting, based on the assumptions provided, an ambition of 1.5°C or slightly higher (< 1.6°)

⁶ DWT.nm: deadweight tonnage per nautical mile.

- **Commitments**
 - Crédit Agricole has committed to reducing the intensity of its CO₂ emissions per tonne of steel produced by -26% by 2030 compared to 2020.
 - In 2030, financed emissions will represent 1.4 tonnes of CO₂ per tonne of crude steel.
- **Action plan:**
 - Ongoing dialogue with clients not aligned on a 1.5°C trajectory to explore with them how Crédit Agricole can support them in their decarbonization
 - Development of project financing of low-carbon steel production technologies.
 - Steering of steel portfolio, with reallocation in favor of the most ambitious customers

3. Steering and governance of the implementation of commitments

- **Governance**

Governance has been strengthened to place climate commitments at the heart of the Group's strategy with the creation of two new committees:

- The Societal Commitment Committee, comprising members of the Board of Directors,
- The ESG Strategy Committee, chaired by the Chief Executive Officer of Crédit Agricole SA.

All the trajectories and commitments will be monitored by these committees, and on quarterly basis at the highest level of the entities concerned.

Training of all Crédit Agricole Group employees, elected officials and executives in climate-related matters has started with 43% of employees being trained at end-November 2023, i.e. about 70 000 employees.

In addition, CSR performance criteria have been included in the remuneration of executive officers, and account for 20% of their annual variable remuneration and 33% of their long-term variable remuneration.

- **Implementation of Group commitments as close as possible to customers**

Crédit Agricole Group has evolved its offerings and developed its expertise. It thus takes on an advisory and support role and acquires the necessary expertise (for example, the 250 coordinators within the Crédit Agricole CIB community of experts, or the 50 energy transition advisors within the Regional Banks).

Crédit Agricole Group takes into account non-financial criteria in its financings. It thus, on the one hand, includes non-financial criteria in the credit decisions, with for example at Crédit Agricole CIB a simulation tool to anticipate the impact of each case on the Net Zero trajectory and, on the other hand, adopts incentive pricing, with for example one out of four of LCL's small-business and corporate loans being indexed to the achievement of non-financial KPIs (and targeted loans).

- **Net zero commitments integrated in the budgetary process**

With a view to meeting the requirement to monitor its decarbonisation trajectories, the steering of Net Zero Commitments is integrated in the budgetary process. Indeed, carbon is managed as a rare and reducing resource. The carbon dimension of the financing will thus be monitored according to sector trajectories, either in absolute value or in intensity, with annual targets set per entity based on the 2030 targets announced by the Group.

A team dedicated to carbon budget steering was created within the Group's Finance department and a budgetary framework for carbon trajectories is now set annually for each entity. The budgetary follow-up of these trajectories will be carried out every six months. The Climate and Net Zero impact is thus integrated into strategic decisions.

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