

CSR SECTOR POLICY - Oil and gas sector

December 2017

1. Scope of the policy

The present policy (the Policy) applies to all forms of involvement of Credit Agricole CIB (the “Bank”) in the oil & gas sector.

The oil & gas sector is defined, for the purpose of the Policy, as oil & gas (i) exploration and production, (ii) transport by pipelines or (iii) processing facilities (oil refineries, liquefaction terminals)¹.

Financings and investments activities of the Bank directly related to the development, construction or expansion of oil & gas installations are covered by sections 4, 5 and 6 of the Policy.

Section 7 of the Policy covers all other activities which the Bank may have with oil & gas companies.

The Policy, as revised, 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.

The Policy will be updated from time to time.

2. Sector issues and objectives of the Policy

Oil is likely to remain one of the main sources of energy worldwide, according to the International Energy Agency although production of conventional oil tends to level off. And the share of gas in the global energy mix should indeed continue to increase.

Oil and gas activities can however produce critical negative environmental and social impacts. This includes impacts to biodiversity (impacts on natural and critical habitats and ecosystem services) and social impacts (such as physical or economic displacements of people and community health and safety). Some non conventional operations may create specific challenges. Also, certain practices such as flaring can result in significant greenhouse gas emissions.

This Policy comes as a supplement to the rules regarding energy policies from Countries and the investment policies from the clients of the Bank and is not intended to supplant them. It seeks to state the CSR² analysis criteria and requirements of the Bank in the oil & gas sector according to the identified societal issues. It supplements the implementation of the Equator Principles for project finance transactions.

3. Reference frame

In appraising oil & gas financings and investments opportunities, the Bank will be guided by the standards resulting from the following conventions, initiatives or institutions:

- the International Petroleum Industry Environmental Conservation Association (IPIECA)
- the International Association of Oil & Gas Producers (OGP)
- the International Energy Agency (IEA)
- the standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and Environment Health and Safety Guidelines
- the Extractive Industries Transparency Initiative (EITI)
- the Global Gas Flaring Reduction partnership (GGFR)
- the Energy and Biodiversity Initiative (EBI)

¹ The shale gas industry is already covered by another policy.

² Corporate Social Responsibility

4. Analysis criteria

The Bank will analyse every financing or investment directly related to the development, construction or expansion of an oil & gas installation according to the following criteria:

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

- quality of the environmental and social impacts assessment
- quality of the management plans
- quality of accident management plans (in particular oil spill preparedness plans)
- consultation of affected populations and, if necessary, consent from indigenous peoples
- setting up of a grievance mechanism at the project level
- disclosure of relevant information (including revenues payments to governments as per EITI)
- inter-States consultations in the event of cross-borders impacts

Environmental commitments:

- potential impacts to biodiversity and eco-services (in particular upstream facilities, pipelines and non conventional operations)
- discharge of pollutants and in particular emission of greenhouse gas
- management of water resources

Social and human rights commitments:

- labour rights and working conditions including compliance with International Labour Organisation (ILO) core conventions³
- community health and safety
- impact on local communities (physical or economical displacement of population)
- impact on cultural heritage

The quality of the assessment and management of those impacts identified 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.

The environmental and social management system (ESMS) is aimed to monitor and assess impacts and mitigation measures. The ESMS and the analysis by the Bank will have to take into account the complexity of the envisaged project and be commensurate with the level of its environmental and social risks and impacts.

Because of the uncertainty about the environmental and social impacts of surface oil sands projects, the Bank will assume that they do not conform to IFC Performance Standards, until such compliance can be demonstrated.

Also, the Bank will assume that offshore oil projects in Arctic⁴ do not conform to IFC Performance Standards, until it has been demonstrated that adequate material means can be mobilised locally in case of an oil spill.

Concerning existing assets, management plans will be assessed and the Bank will seek to determine whether they materially depart from the standard mentioned above.

³ ILO's 8 core conventions on fundamental human rights relate to elimination of forced and compulsory labour (C-29 and C-105), abolition of child labour (C-138 and C-182), elimination of discrimination in respect of employment and occupation (C-100 and C-111) and freedom of association and collective bargaining (C-87 and C-98).

⁴ The Arctic is defined by reference to the International Hydrographic Organisation (glacial Arctic Ocean) and article 234 (Part XII section 8) of UNCLOS UN Convention on the Law of the Seas (ice-covered areas within the limits of the exclusive economic zone, where particularly severe climatic conditions and the presence of ice covering such areas for most of the year create obstructions or exceptional hazards to navigation, and pollution of the marine environment could cause major harm to or irreversible disturbance of the ecological balance).

5. Exclusion criteria

The Bank will not participate in financings or investments directly related to the development, construction or expansion of any oil & gas installation if aware of the following characteristics:

- critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention
- the project is located within a site listed on the UNESCO World Heritage list
- extra heavy oil extraction projects (defined as API equal to or below 10°) including all oil sands projects by whatever methods of production
- Gas To Liquids or Coal To Liquids projects
- oil project located in the Arctic
- infrastructure projects mainly dedicated to projects listed above, e.g. pipeline projects mainly dedicated to the transportation of oil produced from oil sands projects

or when a risk of material non-compliance has been identified and has not received, in its opinion, satisfactory answers with respect to:

- the IFC Performance Standards (or equivalent standards when a export credit agency or a multilateral institution is involved) or the Environment, Health and Safety Guidelines, in particular with respect to the ESMS, protection of the fundamental rights of workers, displacement of population, biodiversity conservation, impact on critical natural habitats⁵, consent of indigenous people and protection of cultural heritage
- public consultation and, when necessary, consent from affected indigenous peoples
- inter-States consultations in the event of major cross-borders impacts

6. Implementation

Where the financing or the investment relates directly to the development, construction or expansion of an oil & gas installation, the project will be assessed against all the analysis criteria above and the Bank will seek to determine if an exclusion criterion exists.

If an exclusion situation is identified or if the outcome of the general assessment 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 management plans and conditions will be monitored as part of the annual review process of the operations.

Where the transaction is an advisory mandate, the Bank will seek to promote the principles included in this Policy. The Bank will not enter into an advisory mandate when aware at the date of the mandate that the envisaged project definitely exhibits an exclusion criterion. When considering financing a project for which the Bank has acted as financial advisor, it shall only do so in compliance with the present Policy, including in respect of the exclusion criteria.

7. Involvement of the Bank not directly linked to a specific oil & gas installation

Some transactions are not directly linked to the construction or expansion of a specific oil & gas installation but nonetheless fall within the scope of application of the Policy. In particular, the Policy governs general banking services which may be provided by the Bank to clients which have extensive activities in the oil & gas sector.

The Bank expects its clients to develop good working practices and behaviour to limit their Environmental & Social impacts in line with section 4 of this Policy and to adhere to International Industry Standards as referenced in section 3.

As such, the assessment of its clients' compliance with this Policy will be conducted on the occasion of the annual review of the relationship. Commitments to the principles of the IPIECA, the EITI and the relevant initiatives listed under section 3 will be taken into consideration when assessing activities not located in high income OECD countries. The bank will also assess whether the client monitors and assesses impacts and mitigation measures, and is publicly reporting on these aspects (website, annual report⁶,...).

⁵ Compliance with the Performance Standards is assumed in High Income OECD Countries, provided that satisfactory due diligence on Environmental and Social issues have been duly performed.

⁶ Reporting according to the Global Reporting Initiative is regarded as a good practice.

In case of a significant difference between the client's policy and the reference frame of the Policy, and when, in particular, a significant portion of the client's activity or investments relates to exclusion criteria, the Bank will seek to understand the client's strategy and the recommendation of the CERES committee will be required.

If expected improvements are considered to be insufficient, the Bank may nevertheless participate to transactions in favour of the energy transition and dedicated to activities not excluded.

The decision to enter into relation with a new client falling under the scope of the Policy will only be taken after an analysis of the activities of the client according to the same criteria. This analysis shall confirm, if needed at a CERES committee level, that the client practices comply with the principles of the Bank Policy.

Such assessments will be based on information which is either public or which the client has made available to the Bank.

8. Exceptions

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.

9. References and glossary

International Petroleum Industry Environmental Conservation Association (IPIECA):
<http://www.ipieca.org/>

International Association of Oil & Gas Producers (OGP):
<http://www.iogp.org/>

Extractive Industries Transparency Initiative (EITI):
<http://eiti.org/>

Global Gas Flaring Reduction partnership (GGFR):
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/EXTGGFR/0,,menuPK:578075~pagePK:64168427~piPK:64168435~theSitePK:578069,00.html>

IFC Performance Standards and Environmental, Health and Safety Guidelines:
http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards and
http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

Wetlands of international importance covered by the Ramsar Convention:
<https://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>

Site listed on the UNESCO World Heritage list:
<http://whc.unesco.org/en/list/>

Energy and Biodiversity Initiative:
<http://www.theebi.org/>