

ESG sector policy

OIL & GAS



GROUPE BPCE

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POLICY APPLICABLE TO THE OIL & GAS INDUSTRY

1 - INTRODUCTION

As an active player in the energy transition, Groupe BPCE implements policies aimed at promoting the transition to a sustainable economy and at reducing the greenhouse gas emissions associated with its activities.

Committed to the fight against global warming, Groupe BPCE has joined the Net-Zero Banking Alliance (NZBA), which defines concrete, time-bound actions to align the trajectory of its portfolio with the goal of carbon neutrality by 2050. As such, it has committed to a trajectory of reducing its carbon emissions from the end-use of financed oil and gas production by 2030, in line with the International Energy Agency (IEA) Net Zero Emissions by 2050 scenario.

However, the gradual alignment of Groupe BPCE's portfolio does not mean the immediate discontinuation of financing to the oil & gas sector. Indeed, the decline in production anticipated in the carbon neutrality scenarios remains conditional on a significant reduction in demand for oil and gas products. It therefore depends on public action, individual behavior, and corporate action (improved energy efficiency and the development of low-carbon solutions). Besides, Groupe BPCE is convinced that these players, thanks to their technical and financial capacities, have the necessary levers to accelerate the transition by developing low-carbon energies and technologies (electrification, green hydrogen, etc.).

In this transition, Groupe BPCE wants to remain a value-adding partner for its clients. It is committed to accompanying them on the path of transition, while ensuring that its support is granted in a responsible manner.

The purpose of this policy (hereinafter referred to as "the Policy") is to define the appraisal and exclusion criteria and to specify the conditions for the Bank's intervention in this high-stakes sector.

2 - SCOPE OF THE POLICY

Geographic scope and business activities

The Policy applies worldwide to all of Groupe BPCE's activities listed below.

It covers the following activities in the oil & gas industry value chain: exploration and production (offshore and onshore), transportation (pipelines), processing (oil refineries, liquefaction, and regasification terminals, etc.), storage and other related activities.

The Policy covers both conventional and unconventional oil and gas resources.

Scope for Groupe BPCE and its banking and financing activities

The Policy applies to the banking and financial activities of the Banques Populaires and Caisses d'Épargne, BPCE SA and Natixis SA along with their respective direct subsidiaries over which they have exclusive control ¹.

The Policy applies to lending activities, capital markets activities (debt and equity), guarantees and advisory services (including mergers & acquisitions activities), as well as to investments related to liquidity reserves.

The Policy does not apply to third-party portfolio management services and to collective investment products and undertakings. For these activities, BPCE Assurances and certain investment managers subsidiaries of Natixis Investment Managers have their own ESG sector policies related to the oil & gas industry which they publish on their respective websites.

The Policy does not apply to Groupe BPCE's insurance activities or to subsidiaries of Natixis whose activities are focused on mergers & acquisitions.

3 - CRITERIA APPLICABLE TO THE PROVISION OF PRODUCTS AND SERVICES TO COMPANIES AND PROJECTS

3.1 - Criteria applicable to companies

3.1.1 - Exclusion criteria

3.1.1.1 - Groupe BPCE will not participate in any non-dedicated financing in favor of a company whose activities² are 25%³ or more based on shale oil and gas exploration and production.

3.1.1.2 - Groupe BPCE will not participate in any non-dedicated financing in favor of a company whose activities² are 25%³ or more based on the exploration, production, transport, storage or export of oil obtained from tar sands or extra-heavy oil⁴, or on the operation of coal-to-liquids type⁵ facilities.

3.1.1.3 - Groupe BPCE will not participate in any acquisition financing of a company whose activities² are 25%³ or more based on the exploration, production, transport, storage or export of oil from tar sands or extra-heavy oil⁴, or on the operation of facilities using coal-to-liquids technology⁵.

3.1.2 - Appraisal criteria

Groupe BPCE expects its clients to comply with industry best practices and standards in terms of environmental and social risk management. Accordingly, before entering into a commercial relationship, and subsequently on a regular⁶ basis within the framework of its customer knowledge process, Groupe BPCE pays particular attention to the following areas:

¹. For further details, see [Groupe BPCE's universal registration document](#).

². In terms of revenues.

³. If the borrower belongs to a Group, the share of revenues from shale oil and gas, oil sands or extra-heavy oil is calculated for both the borrowing entity and the Group to which it belongs. The borrower's non-dedicated financing is excluded if either ratio exceeds the threshold.

⁴. Oil with an API (American Petroleum Institute) density of less than 10 degrees.

⁵. A coal-to-liquid project is one in which a liquefaction process is used to convert coal into liquid fuels or petrochemicals.

⁶. This verification is carried out on an annual basis, or every two to three years, depending on the quality of the client's corporate governance system.

- The implementation of an integrated management system for quality (ISO9001), health and safety (ISO45001) and the environment (ISO14001), or equivalent certification programs,
- The client's adherence to or recognition of industry standards and initiatives such as the International Petroleum Industry Environmental Conservation Association (IPIECA), the Extractive Industries Transparency Initiative (EITI), the Global Flaring Reduction Partnership, etc. (see section 8 – References),
- Measures taken to deal with any regular and repeated controversies concerning the company's extra-financial performance,
- The publication of information on the intensity of Scope 1 and 2 carbon emissions in accordance with the GHG Protocol.

In order to better understand how a client or prospect manages its environmental, social and governance risks, Groupe BPCE uses relevant information sources at its disposal and engages in a dialogue with the company. This initial analysis is an integral part of the due diligence process carried out by Groupe BPCE on its clients and prospects.

Once the relationship has been established, this analysis is updated on a regular basis, with a frequency dependent on the level of risk associated with the client.

In the event of significant breaches of the sector's ESG good practices, Groupe BPCE works with the company to find an acceptable solution as quickly as possible. In the absence of a favourable outcome, Groupe BPCE may decide not to renew its commitments with the client.

3.2 - Criteria applicable to projects and to certain transactions

3.2.1 - Exclusion criteria

Groupe BPCE does not finance oil and gas installations where the environmental and social risks and impacts are considered too high, causing irreparable damage, and/or where the economic justification is weak in relation to the risks involved.

3.2.1.1 - Groupe BPCE will not participate in any facility dedicated to the financing of oil upstream greenfield single asset projects and/or related oil production or export infrastructures (new FPSO, platform, or pipeline).

3.2.1.2 - Groupe BPCE will not participate in any facility dedicated to the financing of shale oil and gas exploration and production.

3.2.1.3 - Groupe BPCE will not participate in any facility dedicated to the financing of exploration and production of oil derived from tar sands.

3.2.1.4 - Groupe BPCE will not participate in any facility dedicated to the financing of the exploration and production of extra-heavy oil⁴.

3.2.1.5 - Groupe BPCE will not participate in any facility dedicated to the financing of brownfield or greenfield oil development projects located in ultra deep offshore environment⁷.

3.2.1.6 - Groupe BPCE will not participate in any facility dedicated to the financing of pipelines, storage facilities, export terminals and other related infrastructure where 25% or more of the oil transported is derived from tar sands and/or extra-heavy oil⁴.

3.2.1.7 - Groupe BPCE will not participate in any facility dedicated to the financing of new standalone greenfield projects for the production or export of liquefied natural gas (LNG) supplied at 25% or more from shale gas.

⁷ Ultra-deep waters are those located at depths of 1,500 meters or more.

3.2.1.8 - Groupe BPCE will not participate in any facility dedicated to the financing of a coal-to-liquid⁴ project.

3.2.1.9 - Groupe BPCE will not participate in any facility dedicated to the financing of onshore or offshore oil and/or gas exploration and production in the Arctic region⁸.

3.2.1.10 - Groupe BPCE will not participate in any facility dedicated to the financing of projects having significant impacts in an area classified as a UNESCO World Heritage Site, or registered under the Ramsar Convention, or covered by categories I-IV of the International Union for Conservation of Nature (IUCN).

3.2.1.11 - Groupe BPCE will not participate in any financing of Ecuadorian crude oil trading.

3.2.2 - Appraisal criteria

For dedicated financing, Groupe BPCE applies a framework for assessing environmental and social risks and impacts that forms part of its credit analysis process.

This appraisal covers the following areas in particular:

- Environment: greenhouse gas emissions and the release of other pollutants, fugitive emissions and flaring, effluent discharges, waste production, use of natural resources, degradation of flora and fauna, etc.,
- Human activities: health and safety of workers, living conditions, health, safety and security of communities and stakeholders affected by the project, etc.,
- Cultural heritage: protection of cultural and historical heritage sites.

The appraisal takes account of the borrower's existing practices and procedures designed to avoid and minimize impacts caused by the project and, where residual impacts remain, to compensate for the risks. It also takes account of compliance with (i) regulations and laws in force in the host country, (ii) the International Finance Corporation's (IFC) Performance Standards⁹, (iii) the World Bank's Environmental,

Health and Safety Guidelines, (iv) as well as any other relevant industry standards¹⁰.

In the appraisal process, particular attention is paid to the following factors:

- Principal controversies surrounding the project,
- Quality of environmental and social impact assessment and risk management plans,
- Prevention and management of greenhouse gas emissions, pollution risks and other risks,
- Community consultation and establishment of a grievance mechanism,
- Compensation and resettlement measures,
- Effective stakeholder participation – and, for transactions falling within the scope of the Equator Principles, where indigenous peoples are affected and in the specific circumstances set out in IFC Performance Standard 7, the fact that free, prior, and informed consent (FPIC) has been obtained,
- Respect for human rights and working conditions,
- Conservation and sustainable management of biodiversity and critical habitats,
- Protection of cultural heritage.

This process may require the appointment of an independent environmental and social consultant, in line with the application of the Equator Principles.

⁸. For the purposes of this policy, the Arctic land and sea region is defined by reference to the AMAP (Arctic Monitoring and Assessment Programme) zone – with the exception of the Barents, Western Shetlands or Norwegian Seas.

⁹. For designated countries, as characterized by the Equator Principles, assessment according to the IFC Performance Standards is not required, unless required by Groupe BPCE as part of the due diligence process.

¹⁰. See references in section 8.

Based on the results of the appraisal, an action plan listing all necessary corrective, mitigation and monitoring measures is prepared and appended to the loan contract. After signature of the loan agreement ('financial closing'), the progress of the action plan is rigorously monitored at regular intervals throughout the financing period.

Specific case of offshore oil & gas installations

In the case of a transaction involving offshore facilities (e.g., a special purpose ship, SPS¹¹), Groupe BPCE carries out a specific due diligence process. In particular, consideration is given to the following points:

- Compliance with local and international regulations, including applicable maritime conventions¹²,
- Types of vessels or offshore units¹³,
- Ratification of maritime conventions and regulations by the country in which the facility is registered,
- Flag of ship or offshore unit and country rating¹⁴,
- Quality of the classification society¹⁵ that certified the installations,
- Implementation of management systems complying with international standards throughout the construction, roll-out, operation, and maintenance phases.

This process may require the appointment of an independent consultant.

4 - CRITERIA APPLICABLE TO THE MANAGEMENT OF LIQUIDITY RESERVES

For investments made as part of the management of liquidity reserves, Groupe BPCE applies the exclusion criteria listed in section 3 at the level of the issuing entity or of the underlying asset.

5 - POLICY APPLICATION DATE

The Policy applies to all corporate clients and new transactions from its date of publication. Existing contractual commitments that do not comply with this Policy will not be renewed upon their expiration.

This Policy may evolve and be adjusted over time based on the results achieved, the decarbonization of companies in this sector, the trajectory of financed emissions reductions of Groupe BPCE, as well as legislative and regulatory developments. Groupe BPCE reserves the right to modify this Policy at any time. Updated versions will be published on the website of Groupe BPCE.

6 - IMPLEMENTATION AND DECISION-MAKING PROCESS

To ensure full compliance with the Policy, each transaction considered with a company operating in the oil & gas industry is subject to in-depth due diligence.

In the case of an existing customer who fails, or ceases, to satisfy the criteria laid down in the Policy, a dialogue process is initiated to find an appropriate solution and improve the situation as quickly as possible. If this dialogue does not lead to tangible progress, Groupe BPCE reserves the right not to establish a new business relationship, or even to reconsider maintaining the existing one.

¹¹. Special purpose ship (SPS): Floating Production Storage and Offloading Unit (FPSO), Floating Storage and Offloading Unit (FSO), Floating Liquefied Natural Gas Unit (FLNG), Mobile Offshore Drilling Unit (MODU), Floating Storage and Regasification Unit (FSRU), and all other assets related to offshore oil & gas exploration and production.

¹². MARPOL (Prevention of Marine Pollution from Ships) and SOLAS (Safety of Life at Sea) Conventions defined by the International Maritime Organization (IMO).

¹³. Based on the list published by the Paris Memorandum and the Tokyo Memorandum.

¹⁴. Based on the country classification list drawn up by the International Chamber of Shipping (ICS).

¹⁵. Based on the list published by the International Association of Classification Societies (IACS).

Exceptions to this Policy may be granted on a case-by-case basis, only in exceptional circumstances and upon the decision of a BPCE SA committee chaired by a member of the executive management committee.

7 - LEGAL NOTICE

Information regarding the practices of companies in the oil & gas sector is published or provided by the companies themselves or by third-party service providers. The quality and accuracy of this information, which are essential for the proper application of this Policy by Groupe BPCE, are the responsibility of the relevant companies and service providers.

8 - REFERENCES

- Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR) - [link](#)
- Energy and Biodiversity Initiative (EBI) - [link](#)
- Initiative pour la Transparence dans les Industries Extractives (ITIE) - [link](#)
- International Association of Oil & Gas Producers (IOGP) - [link](#)
- International Chamber of Shipping (ICS) - [link](#)
- International Convention for the Prevention of Pollution from Ships (MARPOL) - [link](#)
- International Convention on Civil Liability for Oil Pollution Damage (CLC) - [link](#)
- International Petroleum Industry Environmental Conservation Association (IPIECA) - [link](#)
- Normes de Performances de l'International Finance Corporation ([link](#)) et Directives Environnementales, Sanitaires et Sécuritaires de la Banque Mondiale - [link](#)
- Partenariat mondial pour la réduction des gaz torchés (GGFR Global Gas Flaring Reduction) - [link](#)
- Voluntary Principles on Security and Human Rights - [link](#)

GLOSSARY (1/2)

Ultra-deep water drilling: drilling in water depths of 1,500 meters or more.

GHG Protocol: The GHG Protocol provides standards, guidelines, tools and training for business and government to measure and manage global warming emissions ([link](#)).

Critical habitats: this term designates areas of high biodiversity value, including (i) habitats of significant importance for Critically Endangered and/or Endangered Species; (ii) habitats of significant importance for endemic and/or restricted-range species; (iii) habitats hosting globally significant concentrations of migratory and/or gregarious species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

Conventional hydrocarbons: standard-quality hydrocarbons contained in standard-quality reservoirs that can be produced relatively easily using conventional, well-proven drilling and pumping techniques. These are hydrocarbons formed at depth, at the level of the parent rock, and which have migrated, due to high pressures, to a porous and permeable rock called a reservoir.

Unconventional hydrocarbons: hydrocarbons requiring more complex or atypical production techniques due to the lower quality of i) the reservoir (very low permeability) or the bedrock (e.g., shale) and/or ii) the type of hydrocarbon (bitumen, extra-heavy oils, etc.).

Adapted extraction techniques such as hydraulic or chemical fracturing or steam injection, as well as a specific refining process, may be required, resulting in a lower energy yield.

Unconventional hydrocarbons include shale oil, shale gas, oil from tar sands and extra-heavy oil (API < 10 degrees). This category does not cover conventional hydrocarbons in areas considered to be environmentally sensitive owing to their location, and conventional hydrocarbons whose exploitation presents greater operational risks owing to their development techniques, such as the exploitation of ultra-deep offshore oil and gas.

GLOSSARY (2/2)

Carbon intensity: Key reporting metric [the quantity of CO₂ equivalent emissions per unit of energy produced]. It is used to assess the carbon efficiency of oil and gas producers.

Scope 1 emissions are those that a company produces directly in pursuit of its activities. They are linked to the company's own operations.

Scope 2 emissions come from the production of imported energy. This usually corresponds to electricity purchased by the company through a public utility supplier.

Designated countries: refers to countries considered to have strong environmental and social governance systems, legislative frameworks, and institutions capable of protecting their populations and the natural environment. The Equator Principles Association does not independently assess each country's performance in these areas. As a proxy for this assessment, the Equator Principles Association requires a country to be both a member of the OECD and on the World Bank's list of high-income countries to be considered a Designated Country. The list of Designated Countries can be consulted on the Equator Principles Association website.

Non-designated countries: refers to countries that do not appear on the list of Designated Countries on the Equator Principles Association website [see also «Designated Countries»].

Shale oil and gas: oil and gas resources trapped in parent rocks [shale geological formations]. Their extraction often requires intensive large-scale development, including specific hydraulic fracturing techniques.

Extra-heavy oil: defined as oil with an API gravity of less than 10 degrees.

Arctic region: for the purposes of this Policy, the Arctic region is defined by reference to the AMAP [Arctic Monitoring and Assessment Programme] zone – with the exception of the Barents, Western Shetlands or Norwegian Seas.

Tar sands: also known as oil sands or crude bitumen, tar sands are loose sands or partially consolidated sandstones comprising a natural mixture of sand, clay and water, saturated with a dense, viscous form of oil [viscosity >10,000 centipoise and API gravity <10 degrees]. Their recovery requires the use of heat [steam injection], dilution or surface mining.

International Union for Conservation

of Nature (IUCN): IUCN is a global network for nature conservation that brings together governments and non-governmental organizations. One of IUCN's missions is to help countries and communities identify and manage protected areas on land and in the oceans. Protected areas are divided into six categories:
I – Strict Nature Reserve [Ia] / Wilderness Area [Ib]
II – National Park
III – Natural Monument or Feature
IV – Habitat/Species Management Area
V – Protected Landscape/Seascape
VI – Managed Resource Protected Area ([link](#)).

Wetlands listed by the Ramsar Convention:

These wetlands are defined as “Sites containing rare or unique representative wetland types” or “Sites of international importance for the conservation of biological diversity” listed in the Convention on Wetlands adopted in Ramsar, Iran in 1971 [Ramsar Convention – [link](#)].