

ESG sector policy

THERMAL COAL



GROUPE BPCE

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POLICY APPLICABLE TO THE THERMAL COAL INDUSTRY

Disclaimer: This document is an English translation of the official version of the Policy in French. In case of a difference between the two versions, the French version shall prevail.

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.

In this regard, Groupe BPCE made a commitment in 2021 to reduce its financial exposure to thermal coal to zero by 2030 in the European Union and in OECD ¹ countries, and by 2040 in the rest of the world ².

This gradual withdrawal from the thermal coal sector is a key strategic priority for Groupe BPCE, also contributing to the climate objectives of:

- The Paris Agreement, adopted in 2015, that aims to keep a global temperature rise well below 2°C compared to pre-industrial levels while pursuing efforts to limit this increase to 1.5°C, and
- The European Union, notably through the European Climate Law, which came into force in 2021, imposing binding targets on member states in order to achieve carbon neutrality by 2050.

As part of its VISION 2030 strategic plan, Groupe BPCE is keen to actively contribute to the achievement of these climate objectives by supporting its clients in their own transition to a low-carbon business model.

This ESG sector policy applicable to the thermal coal industry (hereafter referred to as the “Policy”) helps Group BPCE achieve its dual ambition of gradually withdrawing from the thermal coal sector and of supporting its customers in their low carbon transition.

¹. Organization for Economic Co-operation and Development.

². Regular updates on the implementation of this commitment are published as part of Groupe BPCE's non-financial communications.

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 extraction, transportation, trading and transformation of thermal coal, as well as the generation and distribution of electricity generated from thermal coal.

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 ³.

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

⁴. A company in the thermal coal sector developing or planning to develop new thermal coal mines (or to expand an existing mine) or new coal-fired power plants (strictly over 300 MW). Projects are taken into account if they have been publicly announced, or if an application for a construction permit has been submitted to the relevant authorities.

⁵. The company must provide a credible transition plan outlining all actions and measures such as gradually phasing out its operating coal assets, diversifying the energy mix or developing new non-coal-related activities with quantifiable reduction targets aligned with the timetable mentioned above. The company's transition plan will be assessed at the onboarding stage for prospects, and during the annual review following the Policy publication for existing clients.

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

3.1 - Exclusion criteria applicable to companies

3.1.1 - Groupe BPCE will not provide any new banking or financial products or services to any thermal coal Developer ⁴.

3.1.2 - Groupe BPCE will not provide new banking or financial products or services, with the exception of those specifically aimed at supporting the low-carbon transition, to any company:

- Whose revenues related to coal-fired power generation and thermal coal mining account for 25% or more of total revenues (threshold lowered to 15% for a company operating thermal coal mines using the Mountain-Top-Removal, or MTR, mining technique),
- Or whose transition plan is not aligned with Groupe BPCE's exit timetable, i.e. a complete withdrawal from thermal coal by 2030 in the European Union and in OECD countries, and by 2040 in the rest of the world ⁵.

The transition plan assessment may, in exceptional case, take into account major constraints or obstacles faced by the company that justify acceptable alignment deviations, without compromising the thermal coal exit timetable of Groupe BPCE mentioned above.

3.2 - Evaluation criteria applicable to companies

For companies that do not breach the exclusion criteria listed in section 3.1 above, Groupe BPCE pays particular attention to the following practices:

- Implementation of a management system covering quality, occupational health and safety and environmental management, as well as the obtention of associated certifications,
- Publication of the greenhouse gas emissions intensity related to the company's activities (covering at least Scope 1 and 2),

- The company's participation in industry initiatives and its implementation of ESG good practices in the sector,

- Measures taken by the company to respond to any recurring controversies related to its environmental, social or governance performance.

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.

3.3 - Criteria applicable to projects and to certain transactions

In addition to the exclusion and evaluation criteria for companies listed in section 3, Groupe BPCE applies the following additional criteria to certain projects and types of transactions.

3.3.1 - Groupe BPCE will not provide any products or services related to thermal coal mining, coal-fired power plants or distribution infrastructure directly related to these plants, or thermal coal transportation infrastructure projects. This exclusion covers new developments (greenfield projects) as well as the extension or retrofit of existing operating projects (brownfield projects) or the refinancing of debt associated with such assets.

3.3.2 - Groupe BPCE will not provide any products or services related to thermal coal mining projects using the Mountain-Top-Removal (MTR) mining technique.

3.3.3 - Groupe BPCE will not provide any products or services related to the acquisition or sale of the following:

- Thermal coal mines, coal-fired power plants or distribution infrastructure directly linked to these plants, or thermal coal transportation infrastructure,
- A company deemed to be a Developer or a portfolio of assets comprising one or more coal assets for which development is ongoing or planned, except in the case of an acquisition in which the acquirer commits to halt such development,
- A company which derives 25% or more of its revenues from coal-fired power generation and thermal coal mining. In the case of a company operating thermal coal mines using the Mountain-Top-Removal (MTR) mining technique, this 25% threshold is lowered to 15%.

As a general rule, Groupe BPCE will not participate in any acquisition or sale transaction if the client, as a result of the transaction, may become unable to comply with the exclusion and evaluation criteria set out in sections 3.1 and 3.2.

3.3.4 - Groupe BPCE will not provide any products or services related to the trading of thermal coal, or to the trading and sale of derivatives associated with thermal coal.

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 thermal coal withdrawal timeline 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 thermal coal sector 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.

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 thermal coal 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.

GLOSSARY

Thermal coal: category of coal used to generate electricity and heat. It generally includes peat, lignite and sub-bituminous coal grades.

Developer: company in the thermal coal sector developing or planning to develop new thermal coal mines (or to expand an existing mine) or new coal-fired power plants (strictly over 300 MW). Projects are taken into account if they have been publicly announced, or if an application for a construction permit has been submitted to the relevant authorities.

Greenhouse gas emissions (Scope 1) are those that a company produces directly as part of its activities. They are associated with the company's own operations.

Greenhouse gas emissions (Scope 2) are those generated by the production of energy purchased by the company (whether electricity, steam, heat or cooling), usually through a utility supplier.

Coal-fired power generation: all types of coal-fired power generation, including combustion, biomass co-firing (excluding full conversion to biomass) or gasification.

Mountain-Top-Removal (MTR): this is a type of open-pit mining mainly used in the Appalachian region of the United States. This technique generally involves the extensive use of explosives, significant environmental impacts associated with the dumping of waste into the surrounding valleys, and remains highly controversial.