

Sector policy - Airline sector

Introduction

Crédit Mutuel Alliance Fédérale may be requested, through its various activities, to participate in operations related to 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 in areas where the social and environmental impact is the highest.

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, reduced biodiversity, and environmental degradation. One of Crédit Mutuel Alliance Fédérale's priorities is to participate in the financing of the energy transition and to lower the impact of its emissions.

Crédit Mutuel Alliance Fédérale promotes technical innovation by financing the latest generation of aircraft made by Airbus, Boeing, ATR, Embraer and Bombardier. To ensure that aircraft fleets continue to be rejuvenated, until 2025 only models no older than eight years will be financed. After 2025, the age limit will be lowered to five years. A regularly updated list will identify the most efficient models in terms of fuel consumption, greenhouse gas emissions, pollution and compliance with safety standards.

These airline sector mobility guidelines are part of the Corporate and Social Responsibility (CSR) policy.

1 Scope

This policy covers the sector of air transport of passengers and goods; it excludes any new financing of business jets and aircraft transporting fewer than 10 passengers. It targets asset financing, corporate financing, issuance of guarantees, financing of international trade¹, and financial and advisory services provided to:

- airlines that have signed the Carbon Offsetting and Reduction Scheme for International Aviation and are not on the black list compiled by the European Union.
- leasing companies.

The application scope of this sector policy covers all banking and financial services provided by group entities (including subsidiaries and affiliates as per standards applicable to each country) to clients directly or indirectly involved in the airline sector.

Crédit Mutuel Alliance Fédérale will not provide banking and financing services in cases where it has insufficient knowledge of the transaction (KYT), the client and its counterparties (KYC), and/or countries concerned (countries that are exposed or not) given its in-house rules.

As no two transactions are ever exactly the same, the group refrains from taking a systematic approach to financing decisions. Crédit Mutuel Alliance Fédérale will be especially attentive to the social and environmental responsibility policy developed by its clients, especially during banking and financial transactions.

2 Analysis criteria

Crédit Mutuel Alliance Fédérale bases its intervention on:

- Its research into the asset to be financed: the aircraft proposed for financing should be of the latest generation and should not consume excessive amounts of energy,

¹ The financing of international trade transactions entails providing a client company with funding for imports, exports or the investments of its international subsidiaries (outside of 'project financing' as defined above) or guarantee financial risks pertaining to these transactions.

- The counterparties underlying the project: airlines and leasing companies must commit to a programme to revamp their fleets, the goal being to reduce their greenhouse gas emissions.

The analysis criteria are spelled out in paragraph 3 of this policy.

In addition, Crédit Mutuel Alliance Fédérale's decision-making process for all types of financing, guarantees, services and financial advice depend on the host country, the type of transaction financed and the sustainability policy (sustainable development commitments) of companies across the span of their business activity. In this area, the analysis will use the extra-financial rating provided by an expert, independent agency when it is available.

2.1 Host country eligibility criteria

Crédit Mutuel Alliance Fédérale may provide funding for financing or banking transactions provided the country in which the counterparty is located is not subject to international financial sanctions imposed by the French, European or international authorities² in the air transport sector.

Crédit Mutuel Alliance Fédérale asks that companies respect the local laws and regulations applicable in the host countries, as well as the international conventions ratified by the countries in which said companies operate.

Moreover, all financing is subject to an analysis of risks, including the regulatory context, the country risk including in-house compliance due diligence, and economic and environmental issues

2.2 General criteria

Crédit Mutuel Alliance Fédérale expects its clients to develop best practices and behaviour that limit the environmental and social impact of their activities.

Crédit Mutuel Alliance Fédérale will analyse airlines that solicit its aid in financing, issuance of guarantees, or other financial services based on the following evaluation criteria:

- Development of CSR policies and application procedures scaled to their potential impact.
- Social commitment in terms of human rights (labour rights and conditions, including respect for the fundamental conventions of the ILO, health and security of communities, impact on local communities, physical or economic disruption of the population, impact on cultural patrimony).
- Commitment to provide information about the company (age and details of the fleet, order book, ecological goals, etc.).
- Membership in/support for relevant associations or initiatives with respect to best practices in the sector.

The relevance of these criteria will be evaluated for each company, and they can be supplemented by other indicators adapted to the business.

3 Assets eligible for financing

Crédit Mutuel Alliance Fédérale finances only aircraft made by Airbus, Boeing, ATR, Embraer and Bombardier. A shortlist of aircraft eligible for financing has been drawn up for the last generations of each of the ranges proposed. This list will be updated regularly to ensure that it includes only the most efficient aircraft in terms of fuel consumption, and compliance with standards for noise, pollution and emissions of CO₂ and other greenhouse gasses.

In addition, the assets financed until 2025 may not be more than eight years old. Post-2025, this limit will be cut to five years and thereafter may only be changed in response to the goal of rejuvenating the fleet

3.1 with airlines

Crédit Mutuel Alliance Fédérale has chosen to accompany airlines whose goal is to lower their carbon footprint by doing more than merely putting in place CO₂ emissions offsets and who are also investing in the rejuvenation of their fleet.

This is why Crédit Mutuel Alliance Fédérale will limit its financing to companies with an average fleet age of no more than 15 years, brought down to 12 years from 2025.

3.2 with leasing companies

In keeping with its goal of rejuvenating its fleet of aircraft, Crédit Mutuel Alliance Fédérale wants to work until 2025 with leasing companies whose average fleet age does not exceed eight years. **After 2025, this limit will be brought to five years and could be changed to respond to the goal of rejuvenating aircraft fleets.**

² A list of countries under sanctions is updated regularly by the group's Compliance department.

3.3 financing of a pool of assets

In order to remain consistent with aircraft financing criteria, Crédit Mutuel Alliance Fédérale has decided that, as part of the framework covering the financing of a pool of assets, a maximum of 25% of the portfolio may comprise 'earlier generation' aircraft. Nevertheless, the average age of the portfolio may not exceed four years and the age of each aircraft cannot exceed 12 years.

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::

- Standards and certifications as adopted by the ICAO Council
- The black list of airlines compiled by the European Commission
- ILO Conventions and Recommendations;
- IATA : International Air Transport Association <https://www.iata.org/en/programs/safety/audit/iosa/registry/>
- OACI : International Civil Aviation Organisation (Europe) http://www.icao.int/Pages/FR/default_FR.aspx
- FAA : Federal Aviation Administration (USA) <http://www.faa.gov/>
- AESA : European Aviation Safety Agency (Europe) <http://www.easa.europa.eu/language/fr/home.php>
- Performances Standards and Environmental, Health and Safety Directives of the International Finance Corporation:
- CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation <https://www.icao.int/environmental-protection/CORSIA/Pages/default.aspx>