

Sector policy – Mining 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 its social and environmental responsibility with regard to the performance of such operations, the group has undertaken to define sector policies aimed at outlining the scope 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 Crédit Mutuel Alliance Fédérale deems it necessary.

Crédit Mutuel Alliance Fédérale's priority in mining consists of limiting its participation to a strictly defined framework.

First and foremost, the group states that it intends to refrain from participating in financing or investment operations directly intended for or related to the development, construction or extension of mining or metal plant in cases where one of the following characteristics is present:

- *Coal mining projects,*
- *Asbestos mining projects,*
- *Artisanal mines,*
- *Critical impact on a protected area or wetlands on the Ramsar list,*
- *UNESCO world heritage sites.*

Crédit Mutuel Alliance Fédérale intends to refrain from entering into relations with companies whose activity consists in coal mining or is over 50% related to coal sector activities (extraction/transformation/electricity generation/transports).

This mining sector policy is part of the Group's Social and Environmental Responsibility Policy.

It acknowledges:

- The existence of conventions, international standards and national regulations specific to the mining sector;
- The contribution of this sector to other economic activities;
- The role of the mining sector in many countries' economic development;
- The skills required from the various players taking part in implementing a project or the management of an operation with a view to controlling and lessening the environmental and social impacts linked to this activity.

1 Scope

The mining sector encompasses extracting metallic ore (iron, copper, precious metals, uranium) and non-

metallic ore (coal, phosphate, potash), excluding oil and gas.

Mining products are critical inputs for industrial production (iron, copper), agriculture (phosphates) and energy production (uranium) in developed countries. Mines are an important source of development in emerging countries.

Mining activities can, however, generate negative environmental and social impacts in terms of greenhouse gas emissions, biodiversity (by reducing natural habitats) and population displacements, as well as by affecting the health and security of populations near mining operations.

Crédit Mutuel Alliance Fédérale works alongside its corporate clients and its partners in this sector while adhering to a stringent policy in terms of social and environmental responsibility.

This policy applies to project financing¹, asset financing, acquisition financing, long/short-term investments², corporate financing, issuing of guarantees, international trade operations³, and financial and

¹ In this context, "project financing" is understood as a well-established category of corporate financing called specialised lending (defined in particular by Article 147.8 of European Regulation No. 575/2013) which meets specific criteria. Such criteria, as validated by ACP (African, Caribbean and Pacific countries) in October 2012, are used for establishing the eligibility of operations included in the CM-CIC Project Financing portfolio.

² Management for their own or third party account, excluding the passive management called indexed management

³ The financing of international trade operations aims to finance, for a corporate client, its imports, exports or investments carried out by its international subsidiaries (outside the framework of project financing as defined above), or to guarantee financial risks related to these operations.

consulting services provided to companies in the mining sector.

In particular, it covers operations related to:

- Exploration, planning, development (equipment, accessories, installations, civil engineering buildings and structures, including associated facilities),
- the operating and closing of a mine and renovation of the site;
- The initial transformation of ore on the site;
- Transportation of the ore.

As regards uranium extraction, the civil nuclear power policy of Crédit Mutuel Alliance Fédérale is also applicable.

2 Reference Framework

Crédit Mutuel Alliance Fédérale ensures that any request for financing, short-term investment, issuing of guarantees, investments or financial products and services supply in the mining sector policy complies with laws and regulations in force, as well as with international standards and conventions made to best manage environmental and social impacts of the sector. These are included in the appendix.

3 Analysis Criteria

The group's decision process for any type of financing, long/short term investments, issuing of guarantees, international trade operations, financial services and consulting depends on the host country, the type of operation being financed and general commitments regarding sustainable development of companies across their business lines.

3.1 Host Country eligibility criteria

Crédit Mutuel Alliance Fédérale can take part in banking or financial operations provided that the country where the mining site or associated facilities are located:

- is not subject to any financial sanctions applied by the French, European or international authorities⁴ in the mining field,
- adheres to the EITI standard (Extractive Industries Transparency Initiative);
- meets the international regulations and conventions in force (see appendix),
- has modern legislation and a sufficient regulatory framework to (i) offer guarantees of transparency in awarding concessions, and/or (ii) managing tax revenues from mining activities with full transparency, the objective being to reinvest them in a sustainable manner in technological expertise, development of industrial activities downstream, and/or (iii) the development of local communities and disadvantaged populations.

3.2 General conditions applied to bank transactions with parent companies or mining sector subsidiaries

Mining sector companies that request to work with the group on acquisition financing, long/short-term investments, issuing of guarantees or other financial services, need to be able to satisfy one or more of the following conditions, in keeping with their regulatory commitments and published in their reference document:

- develop a system to monitor the environmental impact of their exploration and extraction activities, by limiting cleared areas and sterile volumes displaced by a deeper modelling of resources, and by making, for each extraction site, a regular report on erosion, acidic drainage, and impact on biodiversity,
- commit to a policy of reducing waste production and managing this waste: recycling of common waste, landfill of toxic waste in sites that comply with international norms,
- promote the recycling of industrial flows: water, heat and steam from furnaces, be it for internal or external use (for heating networks),
- apply material separation procedures to value low-grade ores and/or recover ore from cleaning processes,
- reduce mining sites' water and electricity consumption, which is intrinsically high, and make use of non-fossil fuel sources (hydraulic, nuclear),
- regularly release indicators monitoring water and energy consumption, production and recycling of waste and polluting emissions,
- invest in programmes to renovate end-of-life sites (land remodelling, revegetation).

3.3 Specific conditions for financing of mining projects

The Project Financing business does not participate directly in extraction-related industries. That said, some projects are indirectly exposed to a mining activity:

- either because the thermal power plant is supplied with coal and the financing put in place includes investments related to the mine,
- or if the electricity or heat produced by a thermal power plant financed as a part of a financing project is used for ore extraction.

In all cases, the project also needs to comply with the Crédit Mutuel Alliance Fédérale's Coal-fired Thermal Power Plant sector policy.

⁴ A list of countries subject to sanctions is maintained by the Group's Compliance Department.

Areas requiring special vigilance are subject to complementary checks depending on the nature of the project, its location and the industrial players (design/construction/operation maintenance/renovation of the site).

These areas are analysed by an independent technical engineer, and satisfactory conclusions to its analysis are a pre-requisite for the loan.

The project must observe the following conditions:

- It must not breach the Equator Principles or rules laid down by the World Bank,
- It must comply with performance standards in terms of environmental and social sustainability, or general environmental, health and safety regulations and those for mining operations of the International Finance Corporation (member of the World Bank Group).

4 Means

Unless otherwise indicated, the data and information in this document pre-date its initial dissemination. To ensure compliance with the criteria and principles found in the “Sector policy-Mining sector” section above, the group can draw on the expertise, evaluations and/or information communicated by the various experts or external service providers selected with reasonable care, and may also use information communicated by the mining sector companies concerned.

APPENDIX

Main standards, conventions, initiatives or recommendations:

- The 10 fundamental principles of the International Council on Mining and Metals (ICMM);
- The World Bank Standards and notably the performance standards and environmental, health and safety guidelines and those for mining operations of the International Finance Corporation (IFC);
- The EITI standard (Extractive Industries Transparency Initiative);
- The European Union guidelines and its transposal in France concerning the publication of payments made by extraction industries (Law 2014-1662 of 30 December 2014 - art.12);
- OECD guidelines on due diligence for responsible supply chains in ore coming from zones of conflict or at high risk;
- ILO conventions, notably convention n°176 on health and safety of mines, n°138 on the minimum age for admission to employment, n°182 on the worst forms of child labour, n°29 on forced labour, n° 98 on the right to organize and collective bargaining, n°169 relative to indigenous and tribal peoples.