

Sector policy - MINING sector (excluding Coal¹)

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's priority is to support the financing of the energy transition and help reduce greenhouse gas emissions through its financing choices and to limit its involvement in the mining sector 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 metallurgical installations in cases where one of the following characteristics is present:

- **Asbestos mining projects,**
- **Artisanal and small-scale mining,**
- **Critical impact on a protected area or wetlands on the Ramsar list,**
- **UNESCO World Heritage sites**

The group implements this mining sector policy as part of its Corporate and Social Responsibility (CSR) 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 of 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 safety 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.

¹ The Coal sector policy applies to the entire value chain, including the exclusion of financing coal mines.

This policy applies to project finance², asset finance, acquisition finance, long/short-term investments³, corporate financing, issuing of guarantees, international trade operations⁴, and financial services and advice 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.

Crédit Mutuel Alliance Fédérale civil nuclear power policy is also applicable as regards uranium extraction.

2 Reference Framework

Crédit Mutuel Alliance Fédérale ensures that any request for financing, short-term investment, issuing of guarantees, investments or the provision of financial products and financial services targeted by the mining sector policy comply 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 (the list of regulatory and reference texts is presented in the bibliographical appendix).

3 Analysis criteria

The ways in which Crédit Mutuel Alliance Fédérale interacts with companies operating in the coal sector primarily depend on applicable exclusion thresholds then the host country and the sustainability policy (sustainable development commitments) that the companies implement across the span of their business activity. In this area, the analysis will be based in particular on the extra-financial rating provided by an expert and independent agency when available.

3.1 Host country eligibility criteria

The group may 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 authorities⁵ in the mining field,
- adheres to the EITI standard (Extractive Industries Transparency Initiative);
- complies with 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,

² In this context, "project finance" is understood as a category of specialised finance (defined in particular by Article 147.8 of Regulation (EU) No. 575/2013) which meets specific criteria. Such criteria, as validated by the French Prudential Supervision and Resolution Authority (ACPR) in October 2012, are used for establishing the eligibility of operations relating to the project finance portfolio.

³ Management for their own or third party account, excluding the passive management called indexed management

development of industrial activities downstream, and/or (iii) the development of local communities and disadvantaged populations.

3.2 General conditions applied to banking operations with parent companies or mining sector subsidiaries

Les sociétés du secteur minier sollicitant Crédit Mutuel Mining sector companies that request to work with the Crédit Mutuel Alliance Fédérale 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.

⁴ 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.

⁵ 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 policy pre-date its initial dissemination. Moreover, in order to ensure compliance with the criteria and principles laid down under its “Sector policy – Mining 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 mining sector companies concerned.

BIBLIOGRAPHICAL APPENDIX

Standards, conventions, initiatives or recommendations:

- The ten fundamental principles of the International Council on Mining and Metals (ICMM);
- The World Bank Standards and notably the International Finance Corporation (IFC)'s Performance Standards and the general Environmental, Health and Safety (EHS) Guidelines and those specific to mining operations
- 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 the Safety and Health in Mines Convention (No. 176), the Minimum Age Convention (No. 138), the Worst Forms of Child Labour Convention (No. 182), the Forced Labour Convention (No. 29), the Right to Organise and Collective Bargaining Convention (No. 98), and the Indigenous and Tribal Peoples Convention (No. 169).