
CSR POLICY APPLICABLE TO THE OIL & GAS INDUSTRY

1 INTRODUCTION

Within the framework of its Corporate Social Responsibility policy, Groupe BPCE intends to consider the environmental, social and governance (ESG) issues related to the full scope of its activities and has worked unremittingly to strengthen its commitment to sustainability.

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

- The Policy applies worldwide.

Groupe BPCE activities

- The Policy applies to the Banques Populaires, the Caisses d'Epargne and the consolidated companies over which the Banques Populaires or the Caisses d'Epargne or BPCE SA exercise exclusive control¹, and to all the banking activities of Groupe BPCE, with the exception of insurance and asset management activities conducted on behalf of third parties².

Scope of oil & gas sector activities

- The Policy 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.

Banking products or services

- The Policy applies to the following financial products and services:
 - Non-dedicated corporate financing, where the facilities are used for general corporate or operational purposes (working capital, pre-export financing, sales and trading of oil and gas products, etc.),
 - Dedicated acquisition financing to finance or refinance the acquisition of one or more projects, or of an entity owning one or more operating projects,
 - Dedicated financing – in the form of 'project financing' – aimed at (i) financing or refinancing a new project still to be built or already under construction ('greenfield'), or (ii) financing or refinancing an investment to extend, renovate or transform an existing project in operation ('brownfield'), or (iii) refinancing a project already in operation ('brownfield'),
 - All types of related products and services (banking or capital market-related), including guarantees, letters of credit, swaps, and other related facilities,
 - Other market activities (debt and equity issues for oil and gas companies),
 - Activities related to mergers and acquisitions,
 - Financial advisory services associated with the above-mentioned financing activities.

¹ Subject to compliance with the legal and regulatory provisions specific to each of these entities.

² The policies applicable to BPCE Assurances and the asset management companies affiliated with Natixis Investment Managers are published on the websites of these different entities.

3 APPLICABLE CRITERIA

To ensure the compliance of each banking product or service, the criteria listed below in chapters 3.1 and 3.2 apply cumulatively.

3.1 Criteria applicable to clients

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 activities³ are 25%⁴ 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 borrower whose activities³ are 25%⁴ or more based on the exploration, production, transport, storage or export of oil obtained from tar sands or extra-heavy oil⁵, or on the operation of coal-to-liquids type⁶ facilities.
- 3.1.1.3 Groupe BPCE will not participate in any acquisition financing of a company whose activities³ are 25%⁴ or more based on the exploration, production, transport, storage or export of oil from tar sands or extra-heavy oil⁵, or on the operation of facilities using coal-to-liquids technology⁶.

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 regular⁷ basis within the framework of its customer knowledge process, Groupe BPCE pays particular attention to the following areas:

- 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.

³ In terms of revenues.

⁴ 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.

⁵ Oil with an API (American Petroleum Institute) density of less than 10 degrees.

⁶ A coal-to-liquid project is one in which a liquefaction process is used to convert coal into liquid fuels or petrochemicals.

⁷ 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.

In order to gain a better understanding of how a client/ or a prospect manages its environmental and social risks, Groupe BPCE uses the relevant sources of information available and exchanges, where necessary, with the said client/ or prospect.

This preparatory phase forms an integral part of the due diligence carried out by Groupe BPCE on its client or prospect. In the event of significant breaches of industry best practices, Groupe BPCE investigates the cause and works with the client to find an acceptable solution as quickly as possible. In the absence of a solution that best complies with industry best practices, Groupe BPCE may decide on its own initiative not to enter into a relationship with the prospect or not to renew its commitments with the client.

3.2 Criteria applicable to dedicated transactions, products and services

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 oil⁵.
- 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 environment⁸.
- 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 oil⁵.
- 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.
- 3.2.1.8** Groupe BPCE will not participate in any facility dedicated to the financing of a coal-to-liquid⁶ project.

⁵ Oil with an API (American Petroleum Institute) density of less than 10 degrees.

⁶ A coal-to-liquid project is one in which a liquefaction process is used to convert coal into liquid fuels or petrochemicals.

⁸ Ultra-deep waters are those located at depths of 1,500 meters or more.

- 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 region⁹.
- 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 Standards¹⁰, (iii) the World Bank's Environmental, Health and Safety Guidelines, (iv) as well as any other relevant industry standards¹¹.

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.

⁹ 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.

¹⁰ 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.

¹¹ See references in section 8.

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

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, SPS¹²), 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 conventions¹³,
- Types of vessels or offshore units¹⁴,
- Ratification of maritime conventions and regulations by the country in which the facility is registered,
- Flag of ship or offshore unit and country rating¹⁵,
- Quality of the classification society¹⁶ 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 POLICY APPLICATION DATE

The Policy applies to all new transactions from the date of publication of the Policy, with the exception of previously contracted or negotiated commercial commitments.

All existing contractual commitments that fail to comply with this Policy will be honored but will not be renewed upon expiry.

This Policy is subject to change over time in the light of legislative and regulatory developments and the positions adopted by Groupe BPCE towards its stakeholders. Groupe BPCE reserves the right to modify this Sector Policy at any time. Updated versions will be published on the Groupe BPCE website.

¹² 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.

¹³ MARPOL (Prevention of Marine Pollution from Ships) and SOLAS (Safety of Life at Sea) Conventions defined by the International Maritime Organization (IMO).

¹⁴ Based on the list published by the Paris Memorandum and the Tokyo Memorandum.

¹⁵ Based on the country classification list drawn up by the International Chamber of Shipping (ICS).

¹⁶ Based on the list published by the International Association of Classification Societies (IACS).

5 IMPLEMENTATION AND DECISION-MAKING PROCESS

In order to ensure full compliance with the Policy, each transaction considered in the Oil & Gas industry is subject to a thorough review by all parties involved within Groupe BPCE and at all stages of the transaction, from origination, analysis and structuring to final validation by the various levels of the credit approval process.

Any transaction involving a high degree of uncertainty as to compliance with the Policy will be submitted to the highest-level credit committee for decision.

6 LEGAL NOTICES

In order to comply with regulations and apply the principles defined in this Policy, Groupe BPCE endeavors to obtain accurate and reliable information concerning the policies and practices of oil and gas companies. Groupe BPCE relies on the information obtained from these companies and external service providers but accepts no responsibility for this information.

7 GLOSSARY

- **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.
- **Carbon intensity** is a 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](#)).

8 REFERENCES

- Convention for the Protection of the Marine Environment of the North-East Atlantic (OSPAR) – [link](#)
- Energy and Biodiversity Initiative (EBI) – [link](#)
- Extractive Industries Transparency Initiative (EITI) – [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](#)
- International Finance Corporation Performance Standards ([link](#)) and World Bank Environmental, Health and Safety Guidelines – [link](#)
- Global Gas Flaring Reduction Partnership (GGFR) – [link](#)
- Voluntary Principles on Security and Human Rights) – [link](#)