

## **CSR SECTOR POLICY – AUTOMOTIVE SECTOR**

**Update November 2022**

### **1. Scope of the Policy**

The present policy (the “Policy”) applies to relevant commitments of Crédit Agricole CIB (the “Bank”) in the automotive sector, as defined below.

The automotive sector is defined, for the purpose of the Policy, as the Original Equipment Manufacturers (passenger vehicles and commercial trucks) with a turnover superior to 100M€<sup>1</sup>.

The Policy applies from the date it is published. Are excluded pre-existing activities in this sector, including commitments already made or business opportunities which are already at an advanced stage of negotiation.

The Policy will be updated from time to time

### **2. Sector Issues and Objectives of the Policy**

The automotive sector faces various environmental and social issues.

Road transport accounts for 15% of total CO<sub>2</sub> emissions<sup>2</sup> and is an important source of air pollution. Fine particles, nitrogen dioxide, volatile organic compounds and carbon monoxide emissions also strongly contribute to air quality degradation<sup>3</sup>.

The growth of light vehicles emissions should be lower than the mobility increase, if fuel efficiency targets are effectively reached.

With electrification and hydrogen technologies this sector could decarbonize on the medium term. The International Energy Agency (IEA) scenario assumes the phase-out of emissions from motorcycles by 2040; rail by 2050; small trucks by 2060; and although emissions from cars and buses are not completely eliminated until 2070, it expects many regions, including the European Union; United States; China and Japan to have phased-out the sales of conventional vehicles in the 2040's.

The automotive sector also raises concerns about health and safety conditions along the value chain, particularly for activities in poorly regulated countries.

### **3. Reference Frame**

The Bank will expect its clients to be guided by and comply with, when relevant, the standards resulting from the following conventions, initiatives or institutions:

- the European Commission (including the EURO standards established by the European institutions regarding vehicles emissions sold on the European market);
- the United-States Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) (including the Corporate Average Fuel Economy (CAFE) regarding vehicles emissions sold on the American market);

<sup>1</sup> Large size companies are usually subject to reporting requirements that may include environmental and social aspects. For instance, European companies with a turnover over 100 MEUR are required to publish a non-financial reporting - *Déclaration de Performance Extra-Financière (DPEF)* following the article L. 225-102-1 of Code de commerce.

<sup>2</sup> Source : IEA

<https://www.iea.org/data-and-statistics/charts/transport-sector-co2-emissions-by-mode-in-the-sustainable-development-scenario-2000-2030>

<sup>3</sup> Diesel engines are for instance responsible in developed countries for nearly a half of nitrogen dioxide emissions, which cause important respiratory diseases

- the Ministry of Economy, Trade and Industry of Japan (including the Top Runner Program regarding vehicle fuel efficiency standards),
- and with respect to the construction/expansion of new plants:
- the standards of the World Bank group and in particular the International Finance Corporation (IFC) Performance Standards and Environment Health and Safety Guidelines;
  - the Ramsar Convention : Convention on Wetlands of International Importance (Ramsar, Iran, 1971)
  - UNESCO : United Nations Educational, Scientific and Cultural Organization;
  - Alliance for Zero Extinction (AZE).

#### **4. Analysis Criteria**

The Bank considers the following environmental and social aspects as the most relevant for the automotive sector.

- GHG emissions / energy efficiency
- air pollutants emissions such as NOx and fine particles
- Environmental and Social risk Management System (ESMS)<sup>4</sup> (including potentially with respect to supply chain)
- social and human rights (e.g. respect of the core International Labour Organization conventions, respect of the health and safety conditions of local communities ...)

#### **5. Implementation**

The Bank expects its clients to develop appropriate good working practices and behaviour to manage their environmental & social impacts such as those listed in section 4 of this Policy and to adhere to industry good practice principles. As such, on the occasion of the annual review of the relationship, the criteria above will be assessed for existing clients based on available information. The decision to enter into relation with a new client falling under the scope of the Policy will only be taken after an analysis of the activities of the client according to the same criteria. This analysis shall confirm, if needed at a CERES committee level, that the client practices durably comply with the principles enacted by the Policy. The Bank expects its clients to integrate the principles of the Policy toward their value chain.

The regulatory framework in which the client evolves shall lead to the respect of the principles of the Policy for the activities located in High Income OECD Countries. However, the Bank will consider the existence of energy efficiency considerations and take into account the client capability to adapt to regulatory evolutions (CO<sub>2</sub>, NO<sub>x</sub>, particles emissions targets, safety issues...). The Bank will also take into consideration the potential existence of severe/repeated sanctions from competent authorities with respect to environmental or social matters and the indication by the company of corrective measures.

These evaluations will be conducted on the basis of the information available or communicated by the client to the Bank.

#### **6. Exclusion Criteria**

The Bank will not participate in transactions directly related to the development, construction or expansion of any automotive facility if aware of the following characteristics:

- critical impact on a protected area or on wetlands of international importance covered by the Ramsar Convention
- location in or critical impact on a site meeting the definition criteria of AZE
- the project is located within a site listed on the UNESCO World Heritage list

or when it has not received, in its opinion, satisfactory answers with respect to:

- material non-compliance with the IFC Performance Standards (or with equivalent standards when an export credit agency or a multilateral institution is involved) or the Environment, Health and Safety Guidelines, in particular with respect to the ESMS, protection of the fundamental rights of workers, displacement of population, management of tailings, closure and rehabilitation plans as appropriate,

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<sup>4</sup> According to IFC Performance Standard 1, one important objective of an Environmental and Social Management System is "to adopt a mitigation hierarchy to anticipate and avoid, or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment".

biodiversity conservation, impact on critical natural habitats<sup>5</sup>, consent of indigenous people and protection of cultural heritage

The Bank will reconsider its relationship or not initiate a new relationship with Original Equipment Manufacturers:

- if there is evidence that the Environmental and Social risk Management System and/or energy efficiency considerations are lacking;
- when the company has been convicted for severe and/or repeated infringements in matter of vehicles safety and/or human rights by a competent authority, if it has not indicated taking any appropriate corrective measures.

## **7. Exceptions**

Transactions that present uncertainty with respect to compliance with the Policy shall be referred to the CERES committee for recommendation. If the committee considers that the transaction does not conform to the Policy, such transaction will be subject to a final arbitration by the General management of the Bank.

## **8. References and glossary**

European Commission, Mobility and Transports Committee:  
[http://ec.europa.eu/transport/index\\_en.htm](http://ec.europa.eu/transport/index_en.htm)

Environmental European Agency (EEA):  
<http://www.eea.europa.eu/themes/transport>

EURO 5 and 6 standards:  
[http://europa.eu/legislation\\_summaries/environment/air\\_pollution/l28186\\_en.htm](http://europa.eu/legislation_summaries/environment/air_pollution/l28186_en.htm)

United-States Environmental Protection Agency (EPA) Automotive Sector Regulatory Information, and Corporate Average Fuel Regulation (CAFE):  
<https://www.epa.gov/regulatory-information-sector/automotive-sectors-naics-336-4231-8111>  
<https://www.nhtsa.gov/laws-regulations/corporate-average-fuel-economy>

National Highway Traffic Safety Administration (NHTSA):  
<http://www.nhtsa.gov/>

Ministry of Economy, Trade and Industry of Japan (METI) and Automotive Top Runner program:  
<https://www.unescap.org/sites/default/files/29.%20CS-Japan-Top-Runner-programme.pdf>

IFC Performance Standards and Environmental, Health and Safety Guidelines:  
[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/performance-standards](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards)  
[www.ifc.org/ehsguidelines](http://www.ifc.org/ehsguidelines)

Wetlands of international importance covered by the Ramsar Convention:  
<https://rsis.ramsar.org/?pagetab=1>

Site listed on the UNESCO World Heritage list:  
<http://whc.unesco.org/fr/list/>

Global Map of Alliance for Zero Extinction  
<https://zeroextinction.org/site-identification/2018-global-aze-map/>

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<sup>5</sup> Compliance with the Performance Standards is assumed in High Income OECD Countries, provided that satisfactory due diligence on Environmental and Social issues has been duly performed, with the exception of Performance Standard 7 on Indigenous Peoples.