

THEMATIC POLICY

Deforestation

Issues and objectives of the policy	2
PART 1: Identification of a significant controversy linked to deforestation	2
PART 2: Analysis of the risk of deforestation imported from tropical zones with regard to the scope of banking activities.....	3
A. Scope	3
B. Risk assessment criteria	4
Conclusion	4
Means	4
Frame of reference (standards and organisations).....	4

Issues and objectives of the policy

Crédit Mutuel Alliance Fédérale, which is a company with “Entreprise à mission” status, wants to work towards a fairer and more sustainable society. To this end, the group wishes to strictly monitor operations in 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 and thus contributing to the ecological transformation and social progress.

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.

Crédit Mutuel Alliance Fédérale possesses the means to control actions that may contribute, directly or indirectly, to deforestation. Through this policy, the group takes into consideration the conversion and degradation of forest ecosystems, as well as the infringement of human rights that may be associated with it, which it views as obstacles to the development of a fairer and more sustainable society.

PART 1: Identification of a significant controversy linked to deforestation

The first part of the policy applies to any large company ¹ in any sector for which Crédit Mutuel Alliance Fédérale has identified a significant controversy related to deforestation issues.

In the context of the application of this first part, deforestation refers to “the loss of forest area² to other forms of land use or to a significant reduction in forest cover³”.

Banking activities. This policy establishes a watch list of companies for which a significant controversy linked to deforestation issues has been identified.

This list, drawn up by the experts of the Institut Mutualiste pour l'Environnement et la Solidarité, is based on the services of extra-financial data providers, and is established according to the data available from the providers used.

Crédit Mutuel Alliance Fédérale systematically refers any case involving a company on the watch list to an ESG committee for the latter’s opinion.

¹ A ‘large company’ is any company with annual consolidated (or parent company) revenues in excess of €50m and at least 250 employees.

² For the purposes of this policy, forest area is defined as forest or wooded land in accordance with the definitions set out in Regulation (EU) 2023/1115.

³ WWF, 2021.

Third-party investment and management activities. This policy establishes an exclusion list defined on the basis of the watch list, and identifies any companies, on said watch list, that present the most significant controversies, and with which transactions are prohibited.

PART 2: Analysis of the risk of deforestation imported from tropical zones with regard to the scope of banking activities

The second part of the policy applies to very large companies⁴ that are clients or prospects of the Bank.

Crédit Mutuel Alliance Fédérale expects companies to comply with current legislation and regulations relating to deforestation, depending on the areas in which they operate.

The scope of application of this second part targets **imported tropical deforestation from countries at high risk of tropical deforestation.**

- Imported tropical deforestation refers to the import of raw materials or processed products whose production has contributed to the deforestation, depletion or disappearance of a forest or woodland, in countries considered to be at high risk of tropical deforestation.
- A country at high risk of tropical deforestation is characterised by a wealth of tropical forests (a fortiori primary forest) and biodiversity exposed to a concentration of certain risk factors such as a high rate of deforestation for the production of raw materials, or the depletion or disappearance of woodland due to conversion for agricultural use. The raw materials produced in these high-risk countries are mainly destined for export.

In addition to the measures specified in the first part of this policy, Crédit Mutuel Alliance Fédérale will carry out an analysis to identify a possible high risk of imported tropical deforestation for counterparties falling within the scope described below.

A. Scope

The counterparty that could present a high risk of imported tropical deforestation is identified on the basis of four cumulative criteria: a sector of activity that could be linked to a risk of imported deforestation, positioning in the value chain, dependence on certain raw materials, and link with a country at risk of tropical deforestation.

- The sectors of activity selected are the following: agriculture⁵, the agrifood industry, and the timber industry.
- The players concerned by this policy have a high risk of deforestation in the value chain: producers of one or more of the raw materials concerned, traders and industrial groups directly using one or more of the raw materials concerned.
- The raw materials concerned are: palm oil, soy, wood and derivatives (including paper pulp), beef and derivatives (including leather), cocoa, rubber, and coffee.
- The countries covered by the policy are as follows⁶: Angola, Argentina, Bolivia, Brazil, Cambodia, Cameroon, Colombia, Côte d'Ivoire, Democratic Republic of Congo, Ecuador, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Honduras, India, Indonesia, Laos, Liberia, Madagascar, Malaysia, Mexico, Mozambique, Myanmar, Nicaragua, Nigeria, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Suriname, Tanzania, Thailand, Uganda, Venezuela, Vietnam, and Zambia.

⁴ A 'very large company' is any company with consolidated (or parent company) revenues of more than €500m. This definition corresponds to the use of certain internal rating algorithms.

⁵ Agricultural and forestry holdings located within the European Union are not included in the scope of this policy.

⁶ The criteria for selecting these countries are based on the work of the NGO Global Canopy.

The following transactions are targeted for any very large company falling within the scope of this measure: corporate financing, issuance of guarantees, financing of international trade transactions⁷, acquisition financing, financial services and advice.

B. Risk assessment criteria

The following assessment criteria are used in the analysis of counterparties falling within the scope of the policy and according to the seriousness of the deforestation risks they present:

- The use of labels that help to reduce deforestation;
- The publication or planned publication before 2025 of a plan to combat deforestation. The quality of this plan may be assessed on the basis of various criteria, including: a cut-off date⁸, consideration of protected natural areas, measures to guarantee gender equality, promotion of small and medium-sized farms within value chains, consideration of the free, prior and informed consent of local populations, and protection of human rights defenders;
- Inclusion on a list identifying the companies most at risk, drawn up by organisations specialising in deforestation issues⁹;
- The application of due diligence measures that include respect for human rights, respect for the rights of indigenous peoples, compliance with working conditions that comply with International Labour Organisation (ILO) standards, a ban on child labour, the fight against corruption, and the limitation of environmental impact.

Conclusion

Crédit Mutuel Alliance Fédérale intends to conduct its business relations in a sustainable manner and to support its customers in their environmental transition. Accordingly, the group intends to engage in constructive dialogue with companies falling within the scope of this policy.

Crédit Mutuel Alliance Fédérale reserves the right, in the light of the aforementioned deforestation risk assessment criteria, not to conduct or continue a business relationship with a company that is deemed to present significant risks.

The group undertakes not to systematise its opinions, as no transaction is identical to the previous one, and will pay particular attention to the policy of social responsibility.

Means

The implementation of the measures in this policy is based on a detailed and systematic analysis of corporate clients or prospects falling within the scope of application, carried out by the business lines and entities concerned.

It is also specified that to ensure compliance with the criteria and principles set out in its deforestation policy presented above, Crédit Mutuel Alliance Fédérale may have recourse to and rely on the expertise, assessments and/or information provided by various experts or external service providers selected with reasonable care, and that it also relies on the information provided by the companies falling within the scope of this policy.

Frame of reference (standards and organisations)

⁷ The purpose of international trade finance is to finance, on behalf of a client company, its imports or exports or the international investments of its subsidiaries (outside the scope of 'project finance' defined above), or to guarantee the financial risks associated with these transactions.

⁸ The cut-off date is a deadline after which any deforestation leads to the incompatibility of the deforested area and production activities in the context of zero deforestation objectives. The cut-off date is set by regulation at 31 December 2020 at the latest. Earlier cut-off dates for specific regions may be useful in analysing plans to combat deforestation.

⁹ The 'Forest500' list drawn up by the NGO Global Canopy could be used in this context.

- Accountability framework initiative, definitions: <https://accountability-framework.org/use-the-accountability-framework/definitions/>
- Global Canopy, Forest 500: <https://forest500.org/>
- Global Canopy, Deforestation-Free Finance: <https://guidance.globalcanopy.org/roadmap/>
- Regulation (EU) 2023/1115: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32023R1115&qid=1697723092180>
- WWF, tackling deforestation (2021). In French only : <https://www.wwf.fr/champs-daction/alimentation/deforestation#:~:text=Un%20ph%C3%A9nom%C3%A8ne%20pr%C3%A9occupant&text=43%20millions%20d'hectares%20de,d%C3%A9forestation%20identifi%C3%A9s%20par%20le%20WWF.&text=La%20d%C3%A9forestation%2C%20c'est%20la,r%C3%A9duction%20importante%20du%20couvert%20forestier>