PERSONAL FINANCE & MOBILITY

CSR Sector Policy Road Transportation CAPFM Group

Preamble

The Crédit Agricole Group is committed to protecting the climate and the environment and to social development. In 2021, the Crédit Agricole Group published its Societal[1] Project, including a climate strategy aimed at aligning its activities with the objectives of the Paris[2] Agreement. One of the pillars of this climate strategy is to accelerate the decarbonization of mobility. As such, electrification of the vehicle fleet is one of the major levers of action. Indeed, this financing activity represents more than 40% of the activities of the Crédit Agricole Personal Finance & Mobility Group (hereinafter CAPFM).

The CAPFM Group is committed to supporting companies, customers of the group towards a more environmentally friendly approach by encouraging the adoption of sustainable and responsible practices towards society and the planet.

The Crédit Agricole Group has developed policies[3] for various sectors with significant negative impacts on the environment and society. These policies spell out the environmental and societal criteria that the Group intends to respect in the conduct of its activities. They are not intended to specify, for the different sectors, the implementation of the commitments made by the Group in terms of climate, biodiversity and other matters, as this is the subject of dedicated management.

Dedicated to the road[4] transportation sector, this policy (hereinafter the "Policy") sets out the general principles applicable to the credit (financing of stock vehicle) and rental (leased vehicle fleets) activities of the CAPFM group.

This policy is the implementation of Crédit Agricole SA's road transport sector policy (hereinafter "the Group"). It complies with the challenges and objectives of the Group's policy as well as its scope and date of entry into force.

1. Policy Objectives

[1] https://www.credit-agricole.com/notre-groupe/le-projet-societal-du-groupe-credit-agricole
[2] https://unfccc.int/resource/docs/2015/cop21/fre/l09f.pdf
[3] https://www.credit-agricole.com/responsable-et-engage/notre-strategie-rse-etre-acteur-d-une-societe-durable/nos-politiques-sectorielles
[4] As defined in section 3.2 of this Policy

Faced with the imperative of decarbonizing the economy, the road[5] transportation sector presents several **environmental and social challenges** (health & safety) **throughout its value chain**, and more particularly in countries with a weak regulatory environment. This policy aims to set out the main environmental and social issues; it specifies the scope and the modalities of application.

2. Industry challenges

Environment

- In 2023, the road transportation sector accounted for nearly **11%[6] of global greenhouse gas emissions** (mainly in the form of CO2), compared to 16% for the transportation sector as a whole[7], 8.5% stemming from light[8] vehicles, in particular because of its indirect emissions (scope 3) related to vehicle use (nearly 85% of emissions). **In France**, the transportation sector accounts for 33% of domestic emissions, **94% of** which **are stemming from road transportation** (where emissions from passenger cars are more than double those from heavy goods vehicles)[9]. It also contributes significantly to **air pollution**. Fine particles, nitrogen dioxide, volatile organic compounds and carbon monoxide emitted by road vehicles thus contribute significantly to the **degradation of** ambient **air quality**. According to the European Environment Agency (EEA), at least 253 000 deaths in the EU in 2021 were due to exposure to fine particles above the concentration recommended by the World Health Organization (WHO)[10]. Finally, health costs related to air pollution caused by road transportation are estimated at €73 billion per year on average in the European[11] Union.

To decarbonize the sector and improve air quality, electric vehicles are an essential lever. They make it possible to significantly reduce emissions of GHGs and fine particles. It also helps to reduce noise pollution in urban areas, thus improving living conditions. According to the International Energy Agency's (IEA) Net Zero scenario, **2/3 of new light-duty vehicle sales will have to be electric by 2030 and 95% by 2035**[12]. For **heavy goods vehicles and electric buses**, the IEA respectively forecasts a **3-fold and 7-fold increase in sales by 2035** compared to 2023[13].

However, if vehicle electrification is necessary and needs to be accelerated, this is not sufficient[14]. According to ADEME (Environment and Energy Management French Agency), to ensure that the carbon footprint of electric vehicles remains satisfactory over the entire life cycle, it is necessary to opt for a vehicle model **as small and light as possible**, adapted to everyday[15] uses.

For its part, the European Union adopted a ban on the sale of new conventional thermal vehicles on its market as early as 2035. It also promotes clean mobility solutions in public tender bids by setting national targets for public procurement (see point 4 below). Finally, the *net zero industry act (NZIA*)[16] should help accelerate the electrification of road transportation by allowing public support for investment in strategic decarbonization technologies for the EU.

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[5] Ibid.
[6] Global GHG emissions shares by subsector 2023 | Statista
[7] Transportationation emissions worldwide - statistics & facts | Statista
[8] Transportation CO2 emissions shares by type | Statista
[9] 69 Mt CO2eq vs 31 Mt CO2eq. Draft 3rd National Low Carbon Strategy, November 2024
[10] https://www.eea.europa.eu/fr/highlights/les-niveaux-de-pollution-atmospherique
[11] European Public Health Alliance Study, 2018
[12] Outlook for electric mobility - Global EV Outlook 2024 - Analysis - IEA
[13] Executive summary - Global EV Outlook 2024 - Analysis - IEA
[14] Emissions and pollution related to the manufacture of the battery and the production of energy to power the vehicle. There is a wider question of the evolution of mobility needs and therefore of transportation modes.
[15] ADEME opinion: Electric cars and charging stations - The ADEME bookshop
[16] NZIA Regulation of 13 June 2024

➢ The **extraction of natural resources** requires varying amounts of energy. Energy expenditure generates significant greenhouse gases: 45% of global greenhouse gas emissions can be attributed to the extraction of materials and the production of goods[17]. Extraction can also lead to **environmental and social consequences** related to land use change, artificial land use, water depletion and/or pollution of water used, exposure to heavy metals and human[18] rights violations.

According to the IEA, electric cars contain more than 200 kg of minerals on average, six times more than a thermal[19] car. An electric SUV consumes 3 times more copper and aluminum, and 5 times more lithium, nickel, cobalt, manganese and graphite than an electric[20] city car. The **recovery of metals contained in batteries** at the end of their life is therefore key to both limiting pressure on raw materials and reducing the carbon footprint, as well as protection against tensions in critical mineral supply chains in the medium term.

Similarly, the repairability of electric vehicle battery vehicles, the **recycling** of construction materials (metals, plastics, glasses, tires, etc.) and the **reuse** of spare parts by manufacturers play a crucial role in reducing the sector's environmental impact.

These challenges are the subject of scientific studies to enable the emergence of technological developments around the lifetime, recycling, composition and weight of electric vehicle batteries. These scientific advances could accelerate the electrification of the vehicle fleet while reducing their environmental impact. In addition, the European Union has set[21] targets for recycling battery components that will significantly reduce the pressure on demand for new materials and thus limit the environmental and social impact that the extraction of raw materials may have.

Just transition:

The decarbonization of the vehicle fleet will only be achieved on a massive and just scale by allowing as many people as possible to have access to electric vehicles, in particular through:

1) The placing on the market of new affordable[22] vehicles If manufacturers plan to stop introducing thermal vehicles in the EU, the supply of affordable electric vehicles is insufficient at the moment.

2) Development of the secondary market: companies, through the choice of vehicles which make up their fleets, can play an important role in this respect. The more electric (or low emission) company vehicles there are, the more there will be in the secondary market, knowing that the fleets are on average renewed after 5 years[23].

3) the deployment of charging infrastructure adapted to local[24] uses by public and private players, a subject outside the scope of this Policy.

[17] Ellen MacArthur Foundation, 2023
[18] Amnesty International Report, 2016
[19] IEA, 5 May 2021
[20] WWF-EY-IMT-IDDRI Report, 2023
[21] European Regulation 2023/1542 on batteries and waste batteries
[22] A 2023 European Commission study shows that the median price consumers are willing to pay for a new electric vehicle is €20,000 (p.15)
[23] Fleet and mobility barometer in FR and EU, 2024, Arval, p. 19
[24] Access to charging stations is one of the main brakes declared when company vehicle fleets switch to 100% electric, according to the Arval Barometer mentioned above

4) Access to financing for these vehicles notably through tailored offers for modest customers and public purchasing subsidies. This is the responsibility of the pricing and commercial policies of credit institutions, and of the public authorities through public incentives. This subject is outside the scope of this Policy.

Social

- Transportation, and in particular the automotive sector, is a matter of **inclusion**. In fact, the lack of mobility solutions (for example car sharing) or isolation reduce access to the means necessary to live in dignity: access and/or time of access to primary care, food supply, education, work, etc.
- **Risks related to working conditions**: health and safety, working time and conditions, wages, gender equality at work, access to opportunities for change;
- **Continuing training** programs (in particular transformation of employees' jobs and skills to support changes in use and the move towards low-carbon mobility);
- **Risks of illegal, forced and child labor;**
- **Risks linked to the absence of an alert mechanism and the collection of alerts** relating to the existence or realization of risks of negative impact on the environment or persons linked to the activities of the company.

3. Scope of the Policy

3.1. Scope of activities

The financing activities of the CAPFM group are credit (vehicle stock financing) and leasing (leased vehicle fleets).

3.2. Scope of the sector

For the purposes of this policy, the **road transport sector** includes the following **registered** vehicles:

- light vehicles
- heavy vehicles
- recreational vehicles (camping cars, vans, caravans)
- buses
- the two wheels

This policy aims to support the following actors in the sector in achieving the environmental and social objectives mentioned above.

- Automobile distributors: independent dealers and subsidiary dealers of manufacturers (branches)
- Companies or organisations whose business is not the automobile with a fleet of vehicles
- Vehicle rental companies ("Rent A Car" companies)
- Operators of transport services

4. Terms of Reference

The financing activities defined above will be analyzed taking into account environmental and social issues identified as a result of **regulations**

5. Application of the Policy

The companies or projects covered by this Policy will be evaluated based on **analysis and exclusion criteria**. These criteria are specified in the GPS (Global Procedure Standard) 413 (Corporate Credit policy) and 414 (Corporate underwriting) of CA Personal Finance & Mobility group.

Clients will be made aware of the issues of this Policy and asked about their own policy. CAPFM's Crédit Groupe management will monitor the review criteria over time.

Transactions that present elements of **high uncertainty** regarding compliance with the Policy will be managed within the framework of the comitology in place within the entity and the Group.

At the level of the CAPFM group entity, the decision to **enter into a relationship** with a counterparty included in the scope of the Policy will only be taken **after an analysis of the activities of this counterparty with regard to the issues of the Policy,** on the basis of information available or provided by the counterparty**.** This analysis should confirm the adequacy of the practices with the Group Policy (in particular GPS and Handbook).

6. Entry into force, communication and follow-up

This policy applies from the date of its publication. Only the activities that the Crédit Agricole Personal Finance & Mobility Group would have to carry out from the day of publication of the Policy are concerned. Oustanding Commitments and transactions transactions whose commercial negotiation is at an advanced stage are excluded.

This policy is public. As such, it is published on the website of the Crédit Agricole Personal Finance & Mobility Group in the interest of transparency, which the Group is committed to as part of its CSR policy.

This policy will be reviewed periodically and whenever the context or circumstances require, with due consideration of regulatory factors.

This document is an internal rule that applies to the entire Crédit Agricole Personal Finance & Mobility Group entities.
It is published in French and English, the French version alone having legal value.