

Sector policy - AGRICULTURE SECTOR

Introduction

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. They may be revised each time the group deems it necessary.

Agriculture in France is of particular importance regarding the production of quality food and the management of rural areas in the country. The agricultural sector plays an essential role in tackling climate change and in the ecological transition, notably by reducing greenhouse gas emissions, increasing carbon storage capacity, managing inputs reasonably, taking into account animal welfare, improving natural resource management, and preserving biodiversity.

Crédit Mutuel Alliance Fédérale wants to strengthen its action in the agricultural sector and its climate ambitions to become a major player in the ecological shift from agriculture to agro-ecology, which is aimed at ensuring the sustainability of agro-ecosystems.

Through this policy, and in keeping with its mutual values, Crédit Mutuel Alliance Fédérale has chosen to support farmers with strong measures:

- A grant to finance the remaining cost of a carbon diagnostic¹ realized within the framework of the *Label bas-carbone*² or of the *Bon Diagnostic Carbone* proposed as part of the French Recovery Plan³;
- Financial support for the cost of certification for level 3 HVE (high environmental value) and organic farming environmental labels of excellence⁴.

These measures are aimed at encouraging farmers to invest in order to reduce their greenhouse gas emissions, improve carbon storage in soils and preserve biodiversity. In order to provide further support, the *Prêts Transition* (transition loans) range has been enhanced with an offer dedicated to the agricultural sector to encourage innovative projects by farmers and the investment needed to transform agriculture into agro-ecology.

Moreover, Crédit Mutuel Alliance Fédérale has integrated an objective environmental, social and governance (ESG) analysis of the action plans implemented by farmers, based on the Common Agricultural Policy (CAP)'s cross-compliance principles, in its decisions to grant financing for banking operations in the agricultural sector. This is a committed approach that promotes the agro-ecological transition and is backed by constructive dialogue with farmers to better support them in their projects.

Crédit Mutuel Alliance Fédérale implements the present sector policy – agriculture sector – which falls within the framework of the Corporate and Social Responsibility (CSR) policy.

1. Scope

This policy applies to the whole agricultural sector⁵: cereal crops - industrial crops, specialised crops - fruit growing, viticulture, animal husbandry, forestry and forestry services, fisheries and aquaculture, and agricultural service enterprises.

¹ Financing of the remaining cost up to a maximum of €200, on presentation of a carbon diagnostic invoice issued by an eligible structure. Offer valid until 31 December 2023, and subject to opening or holding an account in the Crédit Mutuel or CIC networks.

<https://agriculture.gouv.fr/bon-diagnostic-carbone>

<https://agriculture.gouv.fr/france-relance-diagnostic-carbone-vers-la-decarbonation-des-exploitations-agricoles-0>

² <https://label-bas-carbone.ecologie.gouv.fr/>

³ <https://www.economie.gouv.fr/union-europeenne-valide-plan-national-relance-resilience-france#>

⁴ Grant of €500 to farmers on presentation of proof of *Agriculture Biologique* or *Haute Valeur Environnementale* certification and subject to opening or holding an account in the Crédit Mutuel or CIC networks.

⁵ With the exception of the CUMAs (agricultural machinery sharing cooperatives), ETAs (agricultural contractors) and GFA (mutual agricultural land groupings).

Decisions to grant financing related to companies upstream and downstream of the value chain⁶ are analysed in accordance with the application of the general sectoral policy grid integrating the study of ESG criteria and controversies, in addition to the rating provided by an expert and independent agency when it is available.

The scope of this sector policy covers all banking and financial operations provided by entities of the group (including subsidiaries and branches, and pursuant to standards applicable to each country) to clients in the agricultural sector⁷.

Crédit Mutuel Alliance Fédérale undertakes to refrain from providing banking and financial operations in the event of insufficient knowledge of the object of the transaction (KYT), the client and its counterparties (KYC) with respect to the application of internal rules. As no operation is identical to the previous one, the group does not systematise its opinions.

2. Analysis criteria

Crédit Mutuel Alliance Fédérale applies a systematic analysis of ESG criteria, in addition to its financial and compliance analyses, in its decision-making for the granting of banking and financial operations. This study is structured into three parts taking into account: environmental criteria, social law, particularly in relation to working conditions, and the establishment of rules for the governance of farms.

Moreover, Crédit Mutuel Alliance Fédérale factors into its granting decisions both ESG controversies, and CAP support cross-compliance criteria in terms of good agricultural and environmental condition of land (GAEC) and climate change.

With a view to encouraging best practices, Crédit Mutuel Alliance Fédérale reserves the right, from 1 January 2024, to suspend its banking and financial operations if a client does not respect CAP support cross-compliance rules and does not propose a corrective action plan.

2.1 Analysis of environmental criteria

Reducing and storing greenhouse gas emissions

The sector policy takes into account farmers' initiatives in terms of combating climate change aimed at reducing greenhouse gas (GHG) emissions, reducing energy consumption, and preserving the integrity of soils.

Crédit Mutuel Alliance Fédérale pays particular attention, during its analyses, to:

- Realisation of a carbon diagnosis;
- GHG emission reduction measures; and
- Carbon storage systems.

Reasonable use of inputs

This analysis aims to identify the virtuous behaviour of farmers in terms of public, animal and plant health.

Crédit Mutuel Alliance Fédérale also pays attention to investments and practices aimed at reducing the use of fertilisers, and crop protection and veterinary products.

Points of attention for animal husbandry activities: hygiene relating to the production of primary animal products, the ban on certain substances, and the registration of animals.

Points of attention for crop activities: practices implemented for the use of plant protection products (PPP) and hygiene relating to the production of plant products.

Animal welfare

Crédit Mutuel Alliance Fédérale expects its clients engaged in animal husbandry to comply with best practices in terms of animal welfare, thus ensuring that animals are protected and cared for. In particular, it expects these clients to comply with European Council Directive 98/58/EC of 20 July 1998 as amended by Council Regulation (EC) No 806/2003 of 14 April 2003, which sets minimum standards for the protection of animals bred or kept for farming purposes:

- Absence of hunger, thirst/malnutrition, fear and distress;
- Absence of physical and/or heat-related stress;
- Absence of pain, injury and illness;
- Free expression of normal behaviour for its species.

Management of natural resources (water and soils) and preservation of biodiversity

The criteria involved in the management of natural resources encompass the preservation of buffer strips along waterways, as well as the protection of groundwater against pollution caused by toxic substances and nitrates.

In addition, farmers must secure the requisite authorisations and declarations before withdrawing water for use in irrigation.

⁶ Agricultural supply companies (distributors of fertilisers, plant and animal seeds, day-old poultry, plant protection and veterinary products, livestock feed, small equipment) and transport, storage, collection and distribution companies.

⁷ By way of derogation from the conditions of applicability of this agricultural policy, asset management activities on the group's own account or on behalf of third parties may not be concerned by the system put in place

The conditions of respect for biodiversity are examined closely to ensure that the minimum amount of soils is covered, that erosion is limited, that soil organic matter levels are maintained and that topographical features as well as wild birds and their habitats are preserved.

2.2 Social criteria

The social criteria of the current policy apply to compliance with French and European rules in terms of working conditions (e.g. on the recovery of overtime with no break during seasonal activities), training (e.g. by obtaining the *Certiphyto* certificate for the professional use of plant protection products) and protection of employees carrying out their activities (e.g. by providing appropriate work clothes).

Attention is also focused on training related to the use and maintenance of farm equipment as well as the safety of workers operating this equipment.

2.3 Governance criteria

Governance of farms is examined using the certifications and labels they are required to obtain.

Crédit Mutuel Alliance Fédérale, through its governance criteria, assesses farmers' engagement from a standpoint of labels and/or certifications aimed at improving food production quality and the management of rural areas⁸

3. 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 – Agriculture 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 agriculture sector companies concerned.

4. Assessment

An assessment of the implementation of this policy will be submitted annually to the general management of Crédit Mutuel Alliance Fédérale.

BIBLIOGRAPHICAL APPENDIX

- UN Sustainable Development Goals: <https://www.un.org/sustainabledevelopment/>
- Agricultural practices faced with environmental issues (French only): <https://chambres-agriculture.fr/agriculteur-et-politiques/politiques-environnementales/>
- Greenhouse gas emissions by sector in France and worldwide (French only): https://www.statistiques.developpement-durable.gouv.fr/sites/default/files/2020-12/datalab_81_chiffres_cles_du_climat_edition_2021.pdf
- Carbon storage potential of soils in France: <https://www.inrae.fr/en/news/storing-4-1000-carbon-soils-potential-france>
- Common Agricultural Policy (French only): <https://agriculture.gouv.fr/cap-sur-la-pac-2015-2020-0>
- CAP support cross-compliance rules (French only): <http://www3.telepac.agriculture.gouv.fr/telepac/html/public/aide/conditionnalite.html>
- Level 2 environmental certification: key figures and list of recognised approaches (French only): <https://agriculture.gouv.fr/niveau-2-de-la-certification-environnementale-chiffres-cles-et-liste-des-demarches-reconnues>
- List of *Label Bas Carbone* low-carbon standards (French only): <https://www.ecologie.gouv.fr/label-bas-carbone>
- Carbon diagnostics grant *Bon Diagnostic Carbone* in the framework of the French Recovery Plan (French only): <https://www.economie.gouv.fr/plan-de-relance/profils/entreprises/bon-bilan-carbone>

⁸ Eligible labels: level 3 HVE, organic farming, low-carbon labels and any approach with recognition at level 2 of the environmental certification.