Sector policy – CIVIL NUCLEAR POWER SECTOR

Introduction

Crédit Mutuel Alliance Fédérale may be requested, through its various activities, to participate in transactions related to sensitive sectors involving social and environmental risks. Being concerned about its responsibility with regard to such issues, the group has undertaken to define sector policies aimed at defining the scope of intervention, and establishing criteria and principles to be observed while exercising its activities in areas where the social and environmental impact is the highest.
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's priority is to responsibly assist corporate clients and their partners if these companies respect the main requirements relative to the safety and security of the production sites, the protection of populations and the environment and provided that no direct military use is possible.
Crédit Mutuel Alliance Fédérale intends to refrain from taking part in civil nuclear plant projects in countries that do not have regulations that strictly delimit the areas of activities in the civil nuclear power sector.
Crédit Mutuel Alliance Fédérale also intends to refrain from directly financing military research programmes.

The present sector policy – Civil Nuclear Energy – is part of the group's corporate social responsibility policy (CSR). In addition to respecting obligations, national and international legislations in force, Crédit Mutuel Alliance Fédérale, a partner of companies in the civil nuclear power sector, has chosen to follow additional rules to define the area of intervention for transactions in this sector.

It acknowledges:

- The existence of conventions, standards, international treaties, regional agreements and national regulations specific to nuclear power;
- Nuclear power characteristics: low-high capacity CO2 emission, significant fuel reserves and ongoing strong interest in emerging markets;
- The choice of certain States to integrate nuclear power in their energy mix in order to meet their power needs and secure their energy source;
- The need to control and mitigate the environmental and social impact associated with the production of such energy, such as waste treatment and plant dismantling;
- The issues that may arise from the nuclear technology used, the specific characteristics of projects, the competence of various stakeholders involved in the implementation of a project or the management of a facility, the countries of final destination for these assets, the installation sites;
- the key role of nuclear safety management;
- the best practices of benchmark nuclear countries[1].

1. Scope of application and reference framework

Scope

This sector policy covers:

- all bank and financial transactions provided by the group's entities (including subsidiaries and branches and according to the standards applicable to each country) to clients directly and indirectly involved in the civil nuclear power sector;
- management for their own or third party account, excluding the passive management called indexed management, for companies in the civil nuclear power sector.

In particular, it covers the transactions concerning:

- the construction, operation, rehabilitation, maintenance and dismantling of nuclear power plants;
- the civil nuclear power cycle (uranium extraction, fuel conversion, enrichment and production, storage and intermediate storage of spent fuel, spent fuel treatment, recycling, nuclear waste storage);

[1] OECD (Organisation for Economic Co-operation and Development) member countries with high income and experience as the first third of nuclear countries (ranked by the number of reactor years); statutes and operation of the Nuclear Safety Agency consistent with the recommendation of the International Atomic Energy Agency, IAEA (in terms of independence, ability to impose sanctions, etc.), absence of level 4 (or higher) accidents, according to the International Nuclear Event Scale, INES, over the last 5 years. At the date of publication, the nuclear countries of reference are: the US, France, Japan, South Korea, Canada, the UK.

- the supply of components, equipment, material and associated services.

Reference framework

Crédit Mutuel Alliance Fédérale makes sure that any request in the civil nuclear power sector complies with:

- laws and regulations in force;
- standards, conventions, initiatives or recommendations made by a certain number of organisations in the nuclear sector, especially by the International Atomic Energy Agency (IAEA) in order to best manage the environmental and social impacts of the sector. The main standards are included in the appendix.

2. Analysis criteria

Crédit Mutuel Alliance Fédérale's decision process for any type of financing, long/short term investments, issuing of guarantees, international trade operations, financial services and consulting, relies on the observance of the reference framework, plus additional criteria as defined hereafter in paragraphs 2.1, 2.2 and 2.3.

Crédit Mutuel Alliance Fédérale intends to refrain from providing banking and financial services in the absence of sufficient knowledge on the object of the transaction (KYT), the client (KYC) and/or the country concerned in terms of the application of its internal rules.

2.1 The host country

The Group can take part in banking or financial transactions provided that the conditions listed below are met:

The host country:

- is a member of IAEA and a signatory to comprehensive safeguards agreements together with IAEA;
- is a signatory to the Nuclear Non-Proliferation Treaty or a bilateral agreement with a benchmark nuclear country;
- observes the comprehensive safeguards agreements (based on the information published by IAEA);
- takes part in the Incident Communication System (ICS) of IAEA;
- has a national security authority or agency (NSA) or a similar body that is able to fulfill its mission, which was subject to a review by the Integrated Regulatory Review Service (IRRS) of IAEA and which applies its recommendations.

Furthermore, Crédit Mutuel Alliance Fédérale will enhance the assessment of each project that includes bank transactions or goods and services from or to:

- areas of conflict;
- countries subject to international financial sanctions.

2.2 Financing of civil nuclear plant projects[2] or an element of the fuel cycle

In addition, critical points are subject to additional verification defined depending on the project nature, location, and the stakeholders. Such additional verification are assigned to expert companies specialised in the assessment of techniques and procedures, compliance with laws and regulations and insurance programmes.

This enhanced assessment policy applies to the financing of projects of any type (Euro-credits, project bonds, etc.) and related services (letters of credit, swaps, etc.).

The result of these expert reports is included in the list of specific prerequisites for the effective implementation of financing.

The project must also observe the following conditions:

- The project has been approved by the government and the independent supervisory authorities of the civil nuclear power sector;
- The host country has ratified one of the applicable agreements on nuclear safety and has an adequate industrial base to provide its industry with the necessary qualified staff;
- A periodical radioactivity measurement program is implemented within and in the proximity of the facility;
- The project complies with the performance standards in terms of environmental and social sustainability or the environmental and safety guidelines of the International Finance Corporation, especially:

  - it applies a long term nuclear waste management;
  - it has a nuclear power plant dismantling plan;
  - it is able to overcome natural risks identified for its location;
  - appropriate coverage is provided by the nuclear insurance and reinsurance global market, the "nuclear pool," according to the principles established by the Paris Convention, the Vienna Convention or by a national legislation aiming at the same objectives (e.g.: US, Canada, Japan), duly ratified, and/or by commitments of the State in question.

Furthermore, the project does not breach other non-nuclear standards applicable to its location and the general rules called "Equator Principles" or those enacted by the World Bank.

[2] In this context, "project financing" is understood as a well-established category of corporate financing called specialised lending (defined in particular by Article 147.8 of European Regulation No. 575/2013) which meets specific criteria. Such criteria, as validated by ACP (African, Caribbean and Pacific countries) in October 2012, are used for establishing the eligibility of transactions included in the CMCIC Project Financing portfolio.

2.3. Financing of International Trade Transactions

The financing of international trade transactions aims to finance, for a corporate client, its imports, exports or the investments carried out by its international subsidiaries (outside the framework of project financing as defined above), or to guarantee financial risks related to these transactions.

The decision to grant financing for international trade transactions relies on compliance with the reference framework (paragraph 1) and the conditions listed above to be met by the host country (paragraph 2.1).

Moreover, the Group makes sure that the entity exporting to the host country is located in a state that ratified the OECD convention on the fight against corruption (i.e. to date the 36 OECD member States and the following 8 non-member States: the Republic of South-Africa, Argentina, Brazil, Bulgaria, Colombia, Costa Rica, Peru and Russia).

As part of export financing involving the offer of a full or partial guarantee, issued by an ECA (Export Credit Agency), the group will also check with the exporter and/or bank agent that any conditions required by such agency have been met prior to the release of funds.

3. Means

Unless otherwise indicated, the data and information in this document pre-date its initial dissemination. To ensure compliance with the criteria and principles found in its sector policy – civil nuclear power sector -, the group can draw on the expertise, evaluations and/or information communicated by the various experts or external service providers selected with reasonable care, and may also use information communicated by the civil nuclear power sector companies concerned.

APPENDIX

Main standards, conventions, initiatives or recommendations:

At international level:

- The fight against nuclear proliferation is based on the **Nuclear Non-Proliferation Treaty,** which guarantees access to the peaceful use of nuclear power to non-nuclear-weapon states that renounce the development of nuclear weapons and on the IAEA guarantee system reinforced by an Additional Protocol that commits the signatory States to submit to an inspection of the raw materials used;
- Nuclear safety (especially prevention and fight against malevolent acts, such as the theft of nuclear material) is subject to the **Convention on Physical Protection of Nuclear Materials** and the **Convention for the Suppression of Acts of Nuclear Terrorism**.
- The following conventions have been adopted: for nuclear safety[3], the **Convention on Nuclear Safety**, for radiation protection: the **Joint Convention on the Safety of Spend Fuel Management and on the Safety of Radioactive Waste Management**, and for the management of emergency situations: the **Convention on the Early Notification of a Nuclear Accident** and the **Convention on Assistance in Case of a Nuclear Accident or Radiological Emergency.**
- **IAEA** has also published its own ***Safety Standards***.
- Several international conventions on the civil liability of nuclear operators and the compensation for damage caused by nuclear accidents have been adopted: **Paris Convention on Civil Nuclear Liability, Brussels Convention** additional to the Paris and **Vienna** Convention on Civil Liability for Nuclear Damage, the **Amendment Protocol to the Vienna Convention,** the **Joint Protocol relating to the Application of the Vienna Convention and the Paris Convention**;
- In the area concerning the protection and environmental assessment affecting the use of nuclear power, the following conventions have been adopted: the Convention on Access to Information, Public Participation in the Decision Process and Access to Justice in Environmental Matters (the **Aarhus Convention**), the Convention on the Environmental Impact Assessment in a Cross-border Context (**Espoo Convention)**, the **Kiev Protocol** and the Convention for the Protection of the Marine Environment of the North-East Atlantic (the **OSPAR Convention**);
- The OECD **Nuclear Energy Agency** and its works in terms of nuclear safety and regulation, radioactive waste management, radiological protection and public health, nuclear sciences, development and use of nuclear power, legal matters, data bank services, information and communication.
- The ***Multinational Design Evaluation program*** that brings together the nuclear regulatory authorities in 13 countries;
- The guides and documents describing the best practices issued by the ***World Association of Nuclear Operators (WANO)*** professional association;
- The ***Nuclear Power Plant Exporter' Principles of Conduct***;
- The ***World Bank Standards*** and especially the ***Performance Standards and Environmental, Health and Safety Guidelines of the International Finance Corporation (IFC).***

At European level:

- The **Euratom** Treaty, establishing the "basic standards" for the health protection of workers and the general public against hazards arising from ionizing radiations, requires the communication of certain data to the European Commission, establishes a joint policy on the supply with ores, raw materials and fossil resources according to the principle of equal access to resources and it implements a safety control system to check that such materials are not diverted from their intended uses, as declared by their users;
- The **reference documents** issued by regulatory associations: the *European Nuclear Safety Regulator Group* **(ENSREG)** and the *Western Nuclear Regulators' Association* **(WENRA).**

3 Nuclear safety aims to prevent accidents and limit their potential impact, and protect workers, patients, the public and the environment against the risks associated with the use of nuclear.