

SECTOR POLICY

Aviation sector and assets

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Background and goals of the sector 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.

Background

The projections for commercial air traffic worldwide published by the main players in the sector point to a sustained growth rate in terms of the passenger volume and the distances covered. As a result, air transport is exerting increasing pressure on the environment. Its emissions come mainly from commercial passenger aviation, and more specifically from paraffin consumption (84%) and fuel production and distribution (16%). The air transport sector accounts for 2.5% to 3% of global greenhouse gas emissions (excluding condensation trails).

The aviation sector still has room for improvement in terms of carbon intensity. These targets for reducing GHG emissions are supported by many players in the sector, including the International Civil Aviation Organization (ICAO), which has set a long-term objective (LTAG¹) of reducing net carbon emissions to zero by 2050, and the International Air Transport Association (IATA), which is committed to helping its members achieve zero net carbon emissions by 2050. European regulations via the [new ReFuelEU Aviation² directive](#) also support these objectives by increasing both the demand for and the supply of sustainable aviation fuel.

To date, the main decarbonisation levers identified are essentially linked to fuels and to improving the energy and operational efficiency of aircraft:

- improving aircraft technology (energy efficiency) ;
- optimising air navigation and ground operations;
- the development of various sustainable aviation fuels;
- possible technological breakthroughs with new energy sources such as hydrogen, battery electric propulsion or hybrid technologies.

Goals

One of Crédit Mutuel Alliance Fédérale's priorities is to help finance the energy transition in the aviation sector and reduce the impact of its emissions.

¹ Long-term global aspirational goal

² [Regulation - EU - 2023/2405 - EN - EUR-Lex \(europa.eu\)](#), [Initiative ReFuelEU Aviation: le Conseil adopte une nouvelle loi visant à décarboner le secteur de l'aviation - Consilium \(europa.eu\)](#)

Crédit Mutuel Alliance Fédérale has chosen a responsible policy in line 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, the reduction of biodiversity and the degradation of the environment.

The principles of this sector policy are in line with the objectives of the Net Zero Banking Alliance, which the Crédit Mutuel Alliance Fédérale group joined in May 2021 in order to comply with the objectives of the Paris Agreement and align its activities on a trajectory compatible with carbon neutrality by 2050. The NZBA alliance is part of the Glasgow Financial Alliance for Net Zero (GFANZ) and the UN-backed Race to Zero campaign. It enables the financial sector to work towards a goal of carbon neutrality by 2050, using a common methodological framework.

Crédit Mutuel Alliance Fédérale, via Crédit Industriel et Commercial, also adopted the **Pegasus Guidelines** methodology on 4 April 2024. It is the first aviation finance framework compatible with the requirements of the Net-Zero Banking Alliance (NZBA). This methodology enables financial institutions to measure the degree of alignment of their aviation loan portfolios with a 1.5° scenario (the Mission Possible Partnership Prudent - MPP PRU) and to calculate their emissions intensity, using a comprehensive, transparent and standardised methodology between banks.

Crédit Mutuel Alliance Fédérale wants to promote the development of impact loans³ for the entire aviation ecosystem.

Scope of application

The scope of this sectoral policy covers all banking and financial transactions provided by group entities (including subsidiaries and branches and in accordance with existing standards in each country) to clients directly or indirectly involved in the aviation sector and to clients applying for aircraft financing.

Crédit Mutuel Alliance Fédérale intends to refrain from providing banking and financial services in the absence of sufficient knowledge of the purpose of the transaction (KYT), of the client and its counterparties (KYC) and/or of the country concerned (sensitive or non-sensitive countries) with regard to the application of internal rules.

As no two transactions are identical, the group is committed to not making its opinions systematic. Crédit Mutuel Alliance Fédérale will pay particular attention to the policy of social and environmental responsibility developed by its clients, especially when providing banking and financial services.

Crédit Mutuel Alliance Fédérale's financing and investments in the military aviation sector come under the Defence sector policy and not under the present sector policy principles. The activities of the bancassurance and asset management divisions are excluded.

³ Sustainability-linked loans

▪ Commercial transport

A. Scope

This policy applies to the passenger and freight aviation sector.⁴ In particular, it concerns asset financing, corporate financing, the issue of guarantees, the financing of international trade operations, and financial services and advice provided to airlines and leasing companies.

This policy excludes all new financing of business and commercial aircraft carrying fewer than 10 passengers⁵.

In addition, Crédit Mutuel Alliance Fédérale's decision-making process for all types of financing, guarantee issues, financial services and advice depends on the host country, the nature of the operations financed, the assets and the sustainability policy (sustainable development commitments) of the companies throughout their activity. In this area, the analysis will be based in particular on the extra-financial rating provided by an expert and independent agency when available.

B. Analysis criteria

1. Host country eligibility

Crédit Mutuel Alliance Fédérale may participate in the financing of banking or financial transactions provided that the country in which the counterparty is located is not subject to international financial sanctions⁶ imposed by French, European or international authorities in the air transport sector.

Crédit Mutuel Alliance Fédérale requires companies to comply with local laws and regulations applicable in the host country, as well as international conventions ratified by the countries in which the said companies are managed.

In addition, all financing is subject to a risk analysis that includes the regulatory context, the country risk, including internal compliance procedures, and economic and environmental issues.

2. Eligibility of assets

In order to mitigate ESG risks, i.e. environmental through energy efficiency, reduction of GHG emissions, noise abatement, pollution, waste management; social through health, safety, and accessibility; and governance through management of legal and reputational risks, Crédit Mutuel Alliance Fédérale chooses to finance only:

⁴ By way of derogation from the conditions of applicability of this policy, asset management activities for own account or on behalf of third parties cannot be concerned by the system put in place.

⁵ Business and commercial jets

⁶ A list of countries under sanctions is maintained by the Group Compliance Department.

- aircraft manufactured exclusively by Airbus, Boeing, ATR, Embraer and Bombardier.
- the latest-generation models, the most efficient on the market in terms of fuel consumption, compliance with noise and pollution standards, and emissions of CO₂ and other greenhouse gases.

...the goal being to modernise and renew fleets.

Exceptionally, when financing a pool of assets, older generation equipment may represent a maximum of 20% of the portfolio by value. However, the age of each aircraft may not exceed 12 years.

Requests for financing related to retrofit operations⁷ are considered on a case-by-case basis as an exception to our environmental and social strategy.

3. Eligibility of counterparties

Crédit Mutuel Alliance Fédérale expects its clients to develop good practices and behaviour that limit the environmental and social impacts of their activities.

Crédit Mutuel Alliance Fédérale will carry out an analysis of companies in the air transport sector (airlines and leasing companies) requesting financing operations, the issue of guarantees, or other financial services on the basis of the following evaluation criteria:

- Membership/support of relevant associations or initiatives relating to good industrial practice in the sector. Airlines must be incorporated in a country that is a signatory to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).
- Ambition to reduce the carbon footprint of their activities beyond the mere implementation of a CO₂ offsetting system and who wish to invest in the modernisation of their fleet.
- Commitment to modernising the fleet with new generations of aircraft.
- Development of CSR policies and application procedures tailored to their potential impact.
- Social and human rights commitments (labour law and working conditions, including compliance with fundamental ILO conventions, community health and safety, impact on local communities, physical or economic displacement of population, impact on cultural heritage).
- Commitment to provide information at company level (age and details of the fleet, order book, ecological ambitions, etc.).

The relevance of these criteria will be assessed for each company, and they may be supplemented by other indicators appropriate to the business.

⁷ Change of technology that reduces carbon emissions

▪ Other activities

A. Exclusions

This policy excludes any new financing of combustion-powered leisure or business aircraft⁸.

However, financing of aircraft dedicated to the following missions will be considered on a case-by-case basis as an exception to our environmental and social strategy:

- Civil security
- Sovereignty/state missions
- Rescue and medical evacuation
- Helicopter transport (with the exception of the oil and gas sector)
- Scientific research
- Training

And any aircraft with electrical assistance⁹.

Entry into force

This policy was updated on December 2024 In order to ensure compliance with the criteria and principles set out in its Airline Mobility sector policy referred to above, the group 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 information provided by the companies concerned in the air transport sector.

⁸ Private jets

⁹ This includes retrofit operations.

Reference framework (standards and organisations)

Financing, guarantee issues, financial services and advice are analysed taking into account the work and standards produced by organisations or initiatives in the aviation sector.

Standards, conventions, initiatives or recommendations:

- Standards and certifications as adopted by the ICAO Council
- The black list of airlines compiled by the European Commission
- ILO Conventions and Recommendations
- IATA: International Air Transport Association
<https://www.iata.org/en/programs/safety/audit/iosa/registry/>
- ICAO: International Civil Aviation Organisation (Europe)
http://www.icao.int/Pages/FR/default_FR.aspx
- CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation [Carbon Offsetting and Reduction Scheme for International Aviation \(CORSIA\) \(icao.int\)](#)
- FAA: Federal Aviation Administration (USA) <http://www.faa.gov/>
- EASA: European Aviation Safety Agency (Europe)
<http://www.easa.europa.eu/language/fr/home.php>

- **Pegasus Guidelines:** [pegasus_guidelines.pdf \(climatealignment.org\)](#)
- <https://rmi.org/press-release/rmi-and-five-global-banks-launch-the-pegasus-guidelines-a-voluntary-emissions-measurement-and-reporting-standard-for-the-aviation-sector/>

- MPP: Mission Possible Partnership : <https://missionpossiblepartnership.org/action-sectors/aviation/>