

RULES FOR LENDING OPERATIONS IN THE COAL SECTOR

SUMMARY

Effective from: July 2021

INTRODUCTION

This document sets out, for the Group, limitations and exclusion criteria with reference to lending operations in the coal sector, in implementation of the "Guidelines for the governance of environmental, social and governance risks regarding lending operations" and in line with the indications contained therein.

CONTEXT

The transition to a low-carbon economy is expected to accelerate over the next decade and generate significant changes in the energy sector, consisting of several operators. The main changes expected are the growing role of renewable energies, the implementation of new green technologies and an increasingly marginal role of coal fired power plants.

The Group intends to support its customers in the process of gradually reducing the use of coal for energy production (phase-out) and encouraging the transition to low-carbon alternatives (e.g. renewables and gas).

The Group expects these alternatives to progressively replace the use of coal over a period of time that varies according to the economic, political and regulatory context of the country concerned.

The criteria and requirements laid down in this document are specifically intended to support a global, progressive and rational reduction of the carbon intensity within the energy sector.

SCOPE OF APPLICATION OF THE RULES

This document was developed at Group level and applies globally to the Group Banks and Companies, including international branches, which provide the financial products and services as defined below.

Description of the sector

These Rules apply to the following sectors:

- coal mining;
- generation of electricity from coal ("CFPP" - coal-fired power plants).

Coal mining

The sector includes activities directly dedicated to:

- coal mine exploration and development (including pre-feasibility and feasibility studies, final design and the related construction activities);
- activities (including coal mining, processing, waste management and disposal) related to the development of coal mines and existing coal mines.

Coal-Fired Power Plants (CFPP)

The sector includes activities directly dedicated to the production of energy from coal. When dealing with projects, the scope of application also refers to the Engineering, Procurement and Construction

(EPC) Contractors (i.e. contractors for integrated Engineering/Design, Procurement and Construction activities) and/or Operation and Maintenance (O&M) Contractors (i.e. contractors for integrated Conduction and Maintenance activities) with direct involvement in the above-mentioned activities.

Financial products and services

These Rules will apply to the financial products and services provided by the Group, including the related advisory services.

The Rules apply to all forms of financing, both to the so-called "general purpose" loans, i.e. with an unknown use of the disbursements made available, and to defined use of proceeds loans (such as project finance, project related corporate finance, acquisition finance).

The Group commits to guide companies including by promoting the granting of loans and other financial services aimed at the production of energy from renewable sources, in the transition to a low-carbon economy, in line with the targets set by the Paris Agreement and subsequent updates and international commitments on the subject (for example in the form of "green loans", "sustainable loans", "transition loans", "acquisition/project transition financing").

RISK ASSESSMENT

Exclusions and limitations to operations

This section provides the specific criteria of the coal sector, defined to ensure that the projects and/or activities that are deemed to have significant environmental and social impacts are considered "a priori" as being ineligible for lending. For the general exclusion criteria - to be applied to the loans, reference is made to the document "Guidelines for the governance of environmental, social and governance risks regarding lending operations".

Coal mining

From the date of issue of these Rules, the Group will not increase its exposure relating to general purpose financial products and services towards companies belonging to the coal mining sector and will manage the current exposures in line with the phase-out as indicated below.

The Group will also not provide financial products and services¹ to projects aimed at the construction or expansion of new coal mines (namely, "Greenfield Projects") or the purchase of companies operating in the coal mining sector.

Coal-Fired Power Plants (CFPP)

From the date of issue of these Rules, the Group will not increase its exposure relating to general purpose financial products and services towards companies having at least one of the following characteristics:

- operating in the electricity production from coal and that do not have a documented plan/strategy for the progressive reduction of greenhouse gas emissions;
- that do not document a forecast maximum limit of 35% of the installed capacity deriving from coal by 2030;
- that have plans to expand coal-fuelled installed capacity or are engaged in the construction of new coal-fired power plants.

¹ The foregoing is without prejudice to the contractual commitments already underway until their natural expiry.

The Group will also manage the existing exposures in respect of the companies indicated above with a view to progressive disengagement.

The Group will not provide financial products and services² to projects aimed at the construction of new coal-fired power plants, the purchase or expansion of coal-fired power plants that are already in operation.

Phase-out

By 2025 the Group undertakes to terminate its exposure to counterparties belonging to the coal mining sector³.

Customer/Project Requirements

Companies operating in the coal sector are required to meet criteria and requirements as laid down by national and international regulations and standards applicable from time to time. More specifically, in the case of projects falling within the scope of application of the Equator Principles (EP), the internal rules governing the implementation of the EPs apply in addition to the provisions set forth in this document.

² The foregoing is without prejudice to the contractual commitments already underway until their natural expiry.

³ The foregoing is without prejudice to the contractual commitments already underway until their natural expiry.