

## EXTERNAL REVIEW

### OF THE EXCLUSIONARY CRITERIA OF GROUPE BPCE FOR THE “METHODOLOGY NOTE” (JULY 2018) ON LOCAL ECONOMIC DEVELOPMENT

July 2019

#### SCOPE

Groupe BPCE has launched a “Sustainable Development Bond Program” (hereafter the “Program”) which aims at edging its potential forthcoming Green and/or Social Bond issuances. Groupe BPCE has formalized its Program in a Framework (the “Framework”) to drive transparency and coherence to Groupe BPCE and its subsidiaries’ issuances, that targets environmental and social projects to ensure long term economic sustainability. The overall Framework has been reviewed by Vigeo Eiris, leading to the publication of a Second Party Opinion in July 2018.

Within the Program, Groupe BPCE created a Methodology Note for Social Bonds / Local Economic Development Category, to describe the main characteristics of issuances which would finance and/or refinance Eligible Assets for this category. Groupe BPCE had already defined 4 sectors to be excluded from financing and committed to add other sectors in line with its ESG Strategy developments.

As part of the updating of this Methodology Note, Vigeo Eiris was commissioned as an independent expert to deliver an External Review Report. Our opinion is based on the review of the following components:

- **Exclusionary criteria:** we have assessed the exhaustiveness and transparency of the sectorial exclusion criteria defined by Groupe BPCE for its “Local Economic Development” Methodology Note.

For this external review, Vigeo Eiris’ sources of information are multichannel, gathering information from public sources and from Groupe BPCE’s internal documents.

We carried out our due diligence in July 2019. We consider that we were provided with access to all the appropriate documents we solicited. We consider that the provided information enables us to establish our opinion with a reasonable assurance on its relevance, precision and reliability.

#### VIGEO EIRIS’ OPINION

**Vigeo Eiris is of the opinion that the exclusionary criteria are transparent and exhaustive for 3 of the 4 economic activities selected by Groupe BPCE, in line with the commitments of Groupe BPCE. The exclusionary criteria for Defence activities is transparent, although partially exhaustive. An area of improvement is to further define the criteria for exclusion of Defence activities.**

**We consider that the exclusion of tobacco activities is transparent and exhaustive.**

Paris, August 1<sup>st</sup>, 2019

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#### Disclaimer

**Transparency on the relation between Vigeo Eiris and Groupe BPCE:** Vigeo Eiris has executed 7 audit and consultancy missions for Groupe BPCE and its subsidiaries over the past 5 years. One entity belonging to Groupe BPCE is a shareholder of Vigeo Eiris: Crédit Coopératif (0.08%). This external review aims to inform the investors if the exclusionary criteria set by Groupe BPCE for its contemplated Bonds/Loans are exhaustive and transparent, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders nor Groupe BPCE’s employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by Groupe BPCE. The correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of Groupe BPCE. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the assets financed by the Bonds/Loans. Groupe BPCE is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Bonds/Loans, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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## DETAILED RESULTS

### Exclusionary Criteria

#### Exhaustiveness and transparency

**Vigeo Eiris is of the opinion that the exclusionary criteria are transparent and exhaustive for 3 of the 4 economic activities selected by Groupe BPCE, in line with the commitments of Groupe BPCE. The exclusionary criteria for Defence activities is transparent, although partially exhaustive. An area of improvement is to further define the criteria for exclusion of Defence activities.**

In its “Sustainable Development Bond Program” (July 20th, 2018), the Issuer committed to exclude “mining (including coal), oil & gas, defence, and nuclear activities for allocation to any of its Green Bonds or Social Bonds”. Moreover, Groupe BPCE reported that these exclusions may be amended over time to reflect the evolution of the strategic ESG goals of the group.

Groupe BPCE’s approach is based on the exclusion of economic activities based on the French Classification of Activities codes (APE/NAF, in French), which is a referential classifying the main activities conducted by a given company. This referential provides a general framework of activities and sub-chapters to specify activities in greater detail. In addition, this information is publicly available online<sup>1</sup>. Moreover, the Issuer has committed to publish the list of excluded activities in its website.

Having reviewed the list of activities and sectors, sent by Groupe BPCE to Vigeo Eiris in July 2019, we reach the following conclusions on the transparency and exhaustiveness of the 4 initially excluded sectors:

Excluded activities	Vigeo Eiris’ Opinion	Comments
<b>Oil and gas</b>	The exclusion of sectors proposed is transparent and exhaustive.	None
<b>Mining</b>	The exclusion of sectors proposed is transparent and exhaustive.	None
<b>Defence</b>	The exclusion of sectors proposed is transparent and partially exhaustive.	<p>Other precisions on the exclusion of sectors and sub-sectors could be included, such as:</p> <ul style="list-style-type: none"> <li>- “Construction of vessels and floating structures” (30.11Z), in case military vessels or floating structures could be classified under this NAF code.</li> <li>- “Construction of aircrafts and spaceships” (30.30Z), in case military aircrafts could be classified under this NAF code.</li> <li>- “Construction of other types of buildings” (41.20B), in case military facilities could be classified under this NAF code.</li> </ul> <p>For information, the French Classification of Economic Activities does not discriminate Military and Civil activities within the above-mentioned sub-sectors. BPCE Groupe reports that its exclusion criteria approach is based on a 4-digit level of the NAF codes, which does not allow for an exhaustive exclusion of all military activities.</p>
<b>Nuclear</b>	The exclusion of sectors proposed is transparent and exhaustive.	None

In addition, the documents presented to Vigeo Eiris in July 2019 evidenced that Groupe BPCE took the initiative of also excluding activities linked to tobacco, which is in line with the Issuer’s commitments taken in July 2018.

**We consider that the exclusion of tobacco activities is transparent and exhaustive.**

Groupe BPCE reports to have included tobacco within its exclusion list, which we consider relevant to the Issuances envisioned by Groupe BPCE and in line with the commitments made in its Framework to amend the list of excluded sectors with the evolutions of its ESG strategy. This exclusion is aimed at agricultural production of tobacco, manufacture, wholesale and retail (in stores) of tobacco products. An area of improvement is to define a threshold for exclusion in the case of companies that only derive part of their revenues from tobacco-related activities (i.e. based on total revenues or sales).

<sup>1</sup> <https://www.insee.fr/en/metadonnees/nafr2>



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Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, and Santiago.

The Vigeo Eiris Global Network, comprising 5 exclusive research partners, is present in Brazil, Germany, Israel, Japan and Mexico.

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