

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF BCPE'S GREEN BONDS METHODOLOGY FOR GREEN BUILDINGS

May 2020

SCOPE

Groupe BPCE has launched a “Sustainable Development Bond Programme” (hereafter the “Programme”) with the aim to govern the issuances of potential Green and/or Social Bonds. Groupe BPCE has formalised its Programme in an overall framework (the “Framework”) in order to ensure transparency and coherence of its potential Bonds issuances aiming to achieve environmental and/or social objectives. The overall Framework has been reviewed by Vigeo Eiris in a Second Party Opinion (“SPO”) published in 2018.²

In addition to this overall Framework, Groupe BPCE has recently created a Methodology Note for the Green Buildings Eligible Category (the “Methodology Note”), in order to describe the specific characteristics of Green Bonds³ which would be issued to finance and/or refinance Eligible Projects falling under this Category. Vigeo Eiris was commissioned to provide an independent opinion (the “Second Party Opinion” or the “SPO”) on the sustainability credentials and management of the Green Bonds to be issued under this new Methodology Note.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the International Capital Market Association’s Green Bond Principles (“GBP”) voluntary guidelines, edited in June 2018.

Our opinion is built on the review of the following components:

- 1) **Issuer:** we summarized our rating of the Issuer’s Environmental, Social and Governance (ESG) performance (evaluated in December 2018), and we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities.⁴
- 2) **Issuances:** the assessment of the general Framework already carried out by Vigeo Eiris in 2018 (see the above-mentioned SPO) has been complemented with the assessment of the coherence between the Methodology Note and the Issuer’s strategic environmental commitments, the Bonds’ potential contribution to sustainability and the alignment with the four core components of the GBP 2018.

Our sources of information are multichannel, combining information (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) provided by the Issuer through documents and interviews.

We carried out our due diligence assessment from February 18th to March 27th, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that the Green Bonds to be issued within Groupe BPCE’s Sustainable Development Bond Programme and the Methodology Note for Green Buildings are aligned with the four core components of the Green Bond Principles 2018.

We express a reasonable assurance⁵ (our highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Bonds to sustainable development.

¹ This opinion is to be considered as the “Second Party Opinion” described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² <https://groupebpce.com/en/investors/funding/green-bonds>.

³ The “Green Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

⁴ The 17 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Human embryonic stem cells, Military, Nuclear power, Pornography, Reproductive medicine and Tobacco.

⁵ Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

1) Issuer (see Part I):

- ▶ As of December 2018, Groupe BPCE displays a good ESG performance overall. In particular, the Issuer displays an advanced performance on the Environment and Social pillars and a good performance on the Governance pillar.
- ▶ As of today, Groupe BPCE faces nine controversies, related to the following domains: Environment (“Green products and SRI”, “Climate change”), Human rights (“Fundamental human rights”), Community Involvement (“Social and economic development”, “Financial inclusion”), Business Behaviour (“Information to customers”, “Responsible Customer Relations”, “Corruption and money laundering” and “Responsible lobbying”); and Governance (“Internal controls & risk management”). Controversies are considered frequent, their severity is considered high based on the analysis of their impact on both the company and its stakeholders, and the Company is considered reactive.
- ▶ Groupe BPCE is involved in one of the 17 controversial activities screened under Vigeo Eiris methodology, namely ‘Military’, through its minority shareholding (less than 8%) in a number of companies. BPCE is not involved in any of the other 16 controversial activities.

2) Issuances (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalised Sustainable Development Bond Programme Framework (provided in 2018) complemented by a Methodology Note for Green Bonds/Green Buildings Eligible Category (last version provided on March 27th, 2020). Groupe BPCE has committed to make this document publicly available on its website⁶ at Bonds’ issuance.

We are of the opinion that the contemplated Bonds are coherent with Groupe BPCE’s main sector sustainability issues and with its publicly disclosed strategic sustainable development priorities, and that they contribute to achieve BPCE’s sustainable development commitments.

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in full or in part, loans falling under one Eligible Loan Category, namely: Green Buildings. We consider that the Eligible Category, the sub-categories and the Eligible Loans are clearly defined.
- ▶ The Eligible Loans are intended to contribute to one main environmental objective, namely: Climate change mitigation. This objective is formalised in the Methodological Note and is considered clearly defined and relevant.
- ▶ Eligible Loans are considered to provide clear and measurable environmental benefits. The Issuer has committed to assess and quantify the environmental benefits of its issuances and to publicly communicate an estimation of environmental benefits at least annually within the reporting. An area for improvement is to assess and, where possible, quantify the expected environmental benefits with ex-ante environmental targets.
- ▶ The Eligible Loans are likely to contribute to three of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 7. Affordable and clean energy; Goal 11. Sustainable Cities and Communities and Goal 13. Climate Action.
- ▶ The Issuer has not communicated any ex-ante refinancing share that will be applied to the proceeds of the Green Bonds, but it is committed to publicly disclose it in the annual reporting for each issuance. An area for improvement is to commit to disclose this share before or at issuance. In case of refinancing, the Issuer has committed to respect a maximum lookback period of 36 months from the Bond’s issuance date, in line with market practices.

Process for Projects Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Programme Framework and in the Methodology Note. We consider that the process is reasonably structured, transparent and relevant.

⁶ <https://groupebpce.com>.

- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives of the Sustainable Development Bond Programme and of the Methodology Note for Green Buildings.
- ▶ The identification and management of the main environmental and social risks associated with the Eligible Loans appears to be overall good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.

Reporting

- ▶ The reporting process and commitments are good. The selected reporting indicators related to the fund's allocation and to environmental benefits are considered clear and relevant.

Groupe BPCE has committed that its Bonds will be supported by the following external reviews:

- ▶ A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments. The Issuer has committed to publish this SPO on its website at Bonds' issuance.
- ▶ An annual verification: an independent third-party auditor will verify once a year and until maturity that the funds have been allocated in compliance, in all material respects, with the eligibility criteria defined in the Framework and in the Methodology Note for Green Buildings and pending cash allocation. An area for improvement is to commit to an external verification of the data used to report on the environmental benefits of the Bonds.

This Second Party Opinion is based on the review of the Framework, the Methodology Note, and other information provided by the Issuer, according to our exclusive assessment methodology and to the GBP voluntary guidelines (June 2018). BPCE acknowledges that in case of changes of such standards and market practices and expectations, Vigeo Eiris shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, May 6th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 8 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, owning 0.08%).

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer 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 the financial performance of the Bond, 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.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

DETAILED RESULTS

Part I. ISSUER

Groupe BPCE is France's second largest bank, formed by the 2009 merger of CNCE (Caisse Nationale des Caisses d'Épargne) and BFBP (Banque Fédérale des Banques Populaires). The Issuer has more than 8,000 branches in France. Through its subsidiaries, which include Natixis, the Group offers banking, insurance, loans, real estate financing, asset management, private equity, investment solutions, and customized financial services.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of December 2018, Groupe BPCE displays a good ESG performance overall. In particular, the Issuer displays an advanced performance on the Environment and Social pillars and a good performance on the Governance pillar.

Domain	Comments	Opinion
Environment	Groupe BPCE's performance on the Environment pillar is advanced.	
	The company has issued a formalised commitment to environmental protection in its "Démarche RSE Groupe". In addition, Natixis, a Groupe BPCE entity, set 2020 targets to reduce the CO ₂ emissions from its operations and committed to cease financing the coal industry worldwide.	Advanced
	Comprehensive resources are allocated to resources to environmental management, including internal and external audits, and employee environmental engagement, through awareness raising, training and environmental dedicated networks and clubs. Strong practices of responsible investment are observed within the group. Mirova, an entity of Groupe BPCE, adhered to the Montreal Carbon Pledge and the Portfolio Decarbonization Coalition and supports energy transitions through thematic funds. 77.5% of the Group's total financing is dedicated to renewable energies.	Good
	On December 2017, Natixis has strengthened its commitment to climate and environment (exclusions of tar sands and Arctic projects) and in 2018 Mirova has reduced the carbon footprint of its consolidated equity portfolio.	Limited
Social	Groupe BPCE's performance on the Social pillar is advanced.	
	Several measures are in place to assess and mitigate human rights risks in both lending and investment activities. Groupe BPCE has signed an agreement on the career of staff representatives within the Group and its agreement on professional equality and gender equality was renewed. Diversity-related indicators show 5-year improving trends.	Advanced
	In terms of Human Resources, the Group has an advanced approach to labour relations and signed with trade unions in 2015 a Group Agreement governing skills development, career management, training and reclassification of its workforce in case of restructurings. Regarding the issue of stress in the workplace, one person was appointed responsible for the quality of work-life balance in each group's entity and in 2016 Natixis and the Banque Populaire network, both entities of Groupe BPCE, signed a collective agreement on this issue.	Good
	In the Community Involvement domain, Groupe BPCE describes relevant initiatives to address social and economic development, including support to SMEs, micro-finance providers and impact investing actions. Advanced practices are also observed in terms of financial inclusion: Groupe BPCE promotes financial education and support people facing financial problems. Groupe BPCE reports it has a responsible tax strategy in compliance with the French law.	Limited
Governance	In terms of information to customers and responsible customer relations, Groupe BPCE committed to foster client's satisfaction in its Strategic Plan 2014-2017. Relevant means are in place to ensure fair and responsible relations with customers including a specific approval process for new products and training for staff on customer protection.	Weak
	Groupe BPCE's performance on the Governance pillar is good.	
	The Issuer is not a listed company, but its governance bodies are composed by a separate General Management Committee and a Supervisory Board, this latter having independent directors and specialized committees.	Advanced
	Regarding Corporate Governance, the performance remains limited, almost good. Directors are elected only every 6 years. In 2015, the Supervisory Board amended its Internal Rules and created a Risk Committee separate from the Audit Committee, and a Remuneration Committee separate from the Appointments Committee. CSR issues are fully integrated in the group's governance framework: Groupe BPCE built a "Démarche RSE Groupe" with several CSR targets and ambitions and the internal control systems covers CSR risks. Executive compensation is transparently disclosed but all the targets determining the payment of variable remuneration are not displayed.	Good
		Limited

	<p>Groupe BPCE has in place a convincing framework on Business Ethics, including training on Professional Ethics for its different entities in 2016. The lobbying strategy is discussed at Board level and regularly communicated to employees through a newsletter. The final Code of Conduct and Ethics has been validated on august 2018 by the Supervisory Board.</p>	<p>Weak</p>
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Management of stakeholder-related ESG controversies

As of today, BPCE is facing nine stakeholder-related ESG controversies, linked to five of the six domains we analyse:

- Environment, in the criteria of “Green products and SRI” and “Climate change”;
- Human rights, in the criteria of “Fundamental human rights”;
- Community Involvement, in the criteria of “Social and economic development” and “Financial inclusion”;
- Business Behaviour, in the criteria of “Information to customers”, “Responsible Customer Relations”, “Corruption and money laundering” and “Responsible lobbying”.
- Corporate Governance, in the criteria of “Internal controls & risk management”.

Frequency: On average, the controversies are considered frequent, in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered high on average – in line with the sector average.

Responsiveness: Groupe BPCE is reactive, in line with the sector average.

Involvement in controversial activities

Groupe BPCE is involved in one of the 17 controversial activities screened under Vigeo Eiris methodology, namely ‘Military’, through its minority shareholding (less than 8%) in companies involved in producing key parts or services for cluster munitions, delivery platform for nuclear weapons and ammunition (white phosphorous), including SKF, Rolls-Royce Holdings and Thales.

The Issuer does not appear to be involved in any of the other 16 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Human embryonic stem cells, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence between the Issuance and the Issuer

Context note: According to United Nations' estimates, the Real Estate sector accounts for about 40% of the world's energy consumption and 33% of all carbon emissions. The sector can play a leadership role in the way carbon emissions are valued and incorporated into property development, design and management, and banks can play a significant role by financing such buildings. Since existing buildings will be standing for the next decades, the improvement of energy efficiency is also a priority in the fight to climate change.

We are of the opinion that the contemplated bonds are coherent with Groupe BPCE's main sector sustainability issues and with its publicly disclosed strategic sustainable development priorities, and that they contribute to achieve its sustainable development commitments.

Mobilizing the banking sector is key for the achievement of the United Nations Sustainable Development Goals and the Paris Agreement. The sector plays a significant role in closing the existing financial gap to make progress towards sustainable development.

Groupe BPCE, one of the largest banking group in France, has formalized its commitments towards Corporate Social Responsibility in its "TEC 2020" strategic plan (*Transformation Digitale – Engagement – Croissance*), by setting objectives to become the reference for green and responsible growth, including the following commitments on green growth:

- Increase Energy Transition funding – more than EUR 10 billion.
- Development of responsible saving, namely SRI – more than EUR 35 billion in responsible saving.
- Develop a Green and Social Bond policy – 2 Bond issuances per year for the next 3 years.
- Reduce by 10% the Group's CO2 emissions to improve the Group's carbon footprint (-3.5% per FTE and per year over the period).

In addition, the banks belonging to the Group are signatories of the United Nations Global Compact, and Natixis has signed up to the Equator Principles and United Nations Principles for Responsible Investment. Moreover, since 2019 Natixis has been implementing a Green Weighting Factor⁷ mechanism, designed to factor in environmental risks and favour those deals with potential to have a positive impact on the climate and the environment compared to other financings.

By issuing Green Bonds to finance or refinance, in full or in part, loans related to Green Buildings, Groupe BPCE coherently aligns with its sustainability strategy and commitments and it addresses the main issues of the sector in terms of sustainable development.

⁷ https://www.natixis.com/natixis/upload/docs/application/pdf/2019-09/190923_green_weighting_factor_rollout_natixis_pr.pdf.

Use of proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in full or in part, loans falling under one Eligible Loan Category, namely: Green Buildings. We consider that the Eligible Category, the sub-categories and the Eligible Loans are clearly defined.

The Eligible Loans are intended to contribute to one main environmental objective, namely: Climate change mitigation. This objective is formalised in the Methodological Note and is considered clearly defined and relevant.

Eligible Loans are considered to provide clear and measurable environmental benefits. The Issuer has committed to assess and quantify the environmental benefits of its issuances and to publicly communicate an estimation of environmental benefits at least annually within the reporting. An area for improvement is to assess and, where possible, quantify the expected environmental benefits with ex-ante environmental targets.

The Issuer has not communicated any ex-ante refinancing share that will be applied to the proceeds of the Green Bonds, but it is committed to publicly disclose it in the annual reporting for each issuance. An area for improvement is to commit to disclose this share before or at issuance. In case of refinancing, the Issuer has committed to respect a maximum lookback period of 36 months from the Bond's issuance date, in line with market practices.

Groupe BPCE commits to exclusively use the proceeds of the Green Bonds to finance or refinance, in full or in part, loans for the development of new buildings and for the acquisition and renovation of existing buildings. The characteristics of these Eligible Loans are indicated in the table below.

Project location: the Issuer has reported that projects financed through Eligible Loans will be located mainly in France, with other potential Eligible Loans in geographic areas where the Issuer is conducting activities including, but not limited to, Italy, Spain, Germany and the United States.⁸

⁸ The geographic coverage of Eligible Loans is limited to Designated Countries of the Equator Principles.




Groupe BPCE's Methodology Note for Green Bonds/Green Buildings			Vigeo Eiris analysis
Eligible Loan Category and Sub-categories	Definition and Eligibility Criteria - Selection	Objectives and expected benefits	
<p>Green Buildings</p> <p>-</p> <p>Development of new buildings & acquisition of existing buildings</p>	<p>Eligible loans to develop new buildings and acquire existing buildings will include the following:</p> <ol style="list-style-type: none"> Residential Assets: multi-family (buildings) and single family (individual houses) Non-Residential Assets: Public Services, Commercial, Recreational. <p>The Assets need to be aligned with at least one of the dedicated eligibility criteria set below:</p> <ul style="list-style-type: none"> ✓ Buildings belonging to the top 15% of the most carbon efficient buildings in their respective region ✓ Buildings aligned with European Nearly-Zero-Energy Buildings (NZEB) low consumption building standards corresponding to buildings with a very high energy performance. <i>The NZEB concept is a requirement from the EU Energy Performance of Buildings Directive (EPBD) for all new buildings by 2021</i> ✓ Buildings with Design, Post-Construction or In-Use environmental certification such as LEED with a Minimum level of "Gold", BREEAM with a Minimum level of "Very Good", HQE with a Minimum level of "Excellent" ✓ Buildings with French Energy Efficiency Labels such as BEPOS Effinergie 2017 ("Bâtiment à énergie positive"), BBC Effinergie 2017 ("Bâtiment Basse Consommation), E+/C- ("Energie Positive & Réduction Carbone"), BBCA ("Bâtiment Bas Carbone") ✓ Buildings achieving a Medium or Dark Green Rating as per Natixis Green Weighting Factor methodology⁹ 	<p>Climate change mitigation</p> <p>---</p> <p><i>Avoidance of GHG emissions and reduction of energy consumption.</i></p>	<p>The definition of the category is clear. It relies on locally and internationally recognized certifications and sector standards.</p> <p>The environmental objective is clearly defined and relevant.</p> <p>The environmental benefits are clear, measurable, and relevant. An area for improvement is to quantify the expected environmental benefits with ex-ante environmental targets.</p>

⁹ Natixis' Green Weighting Factor methodology is an in-house mechanism designed to factor in environmental risks and favour those deals with potential to have a positive impact on the climate and the environment compared to other financings. Natixis' Green Weighting Factor scoring methodology for buildings has been presented to Vigeo Eiris through internal discussions. The eligibility requirements for project selection are equivalent or more stringent than those presented in the table above and guarantee that projects selected comply with at least one of these eligibility criteria.

Groupe BPCE's Methodology Note for Green Bonds/Green Buildings			Vigeo Eiris analysis
Eligible Loan Category and Sub-categories	Definition and Eligibility Criteria - Selection	Objectives and expected benefits	
<p>Green Buildings</p> <p>-</p> <p>Renovation or dedicated energy efficiency improvement of existing buildings</p>	<p>Eligible loans to renovate existing buildings will cover the following:</p> <ol style="list-style-type: none"> Residential Assets: multi-family (buildings) and single family (individual houses) Non-Residential Assets: Public Services, Commercial, Recreational. <p>The Assets need to be aligned with at least one of the dedicated eligibility criteria set below:</p> <ul style="list-style-type: none"> ✓ Loans to support dedicated energy efficiency works (including ECO-PTZ) such as HVAC systems renovation and improvement; Geothermal energy systems; Insulation retrofitting; LED relamping; Solar panels installation; Heat Recovery Systems; Motion detectors roll-out ✓ Loans dedicated to Major renovation or Restructuring of existing buildings as per Near Zero Energy Buildings (NZEB) standard or demonstrating at least 30% of energy consumption savings ✓ Loans dedicated to Heavy refurbishment aiming at obtaining one or more of the "In Use" environmental certification or energy efficiency/low carbon labels listed above ✓ Loans dedicated to Energy Efficiency retrofits achieving a Medium or Dark Green Rating as per Natixis Green Weighting Factor methodology¹⁰ 	<p>Climate change mitigation</p> <p>---</p> <p><i>Avoidance of GHG emissions and reduction of energy consumption.</i></p>	<p>The definition of the category is clear. It relies on locally and internationally recognized certifications and sector standards.</p> <p>The environmental objective is clearly defined and relevant.</p> <p>The environmental benefits are clear, measurable, and relevant. An area for improvement is to quantify the expected environmental benefits with ex-ante environmental targets.</p>

¹⁰ Natixis' Green Weighting Factor methodology is an in-house mechanism designed to factor in environmental risks and favour those deals with potential to have a positive impact on the climate and the environment compared to other financings. Natixis' Green Weighting Factor scoring methodology for buildings has been presented to Vigeo Eiris through internal discussions. The eligibility requirements for project selection are equivalent or more stringent than those presented in the table above and guarantee that projects selected comply with at least one of these eligibility criteria.

The Eligible Loans are likely to contribute to three of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 7. Affordable and clean energy; Goal 11. Sustainable Cities and Communities and Goal 13. Climate Action.

Eligible Category	UN SDGs identified	UN SDGs targets
Green Buildings	 <p>SDG 7. Affordable and clean energy UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all.</p>	7.3 – By 2030, double the global rate of improvement in energy efficiency
	 <p>SDG 11. Sustainable Cities and Communities UN SDG 11 consists in making cities and human settlements inclusive, safe, resilient and sustainable.</p>	11.3 - By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.
	 <p>SDG 13. Climate Action UN SDG 13 consists in taking urgent action to combat climate change and its impacts.</p>	Banks financing green buildings can contribute to reducing GHG emissions.

Process for Project Evaluation and Selection

The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Programme Framework and in the Methodology Note. We consider that the process is reasonably structured, transparent and relevant.

The process for the evaluation and selection of Eligible Loans is reasonably structured.

The evaluation and selection of Eligible Loans is based on relevant internal expertise with well-defined roles and responsibilities:

- At Programme level, Groupe BPCE has created a Sustainable Development Bond Governance Committee (the “Committee”), gathering senior representatives covering multi-disciplinary relevant expertise, namely in ESG, business development and finance. The Committee’s responsibility is to oversee the governance of the Programme – its specific tasks are clearly defined and disclosed in the Programme Framework.
- BPCE’s Portfolio Management & Financial Engineering team will be in charge of loan evaluation and selection and for making sure that selection and exclusion criteria are duly applied.
- The Committee will supervise the governance and the process for loan evaluation and selection of the Social Bonds issued under the Methodology Note and will validate the pool of selected Eligible Loans.
- The verification and traceability are ensured throughout the process:
 - At least once a year, earmarked eligible assets within the pool will be updated/screened for potential changes in eligibility status.
 - The department in charge of the selection of Eligible Loans will report on selected projects to the Committee, which will meet quarterly.
 - An independent auditor will verify the compliance of the Eligible Loans with the selection process and criteria for Green Buildings as defined in the Framework and in the Methodological Note.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives of the Sustainable Development Bond Programme and of the Methodology Note for Green Buildings.

- Selection: the eligibility requirements are based on the Eligible Categories definitions in the Use of Proceeds section of the Methodology Note (as indicated in the table above). More details on the eligibility requirements are clearly specified in the Appendices to the Methodology Note.
- Exclusions:
 - Loans financed by dedicated resources provided by public institutions (e.g. Caisse de Dépôts et Consignations, Council of Europe Development Bank, European Investment Bank) will be excluded, in order to avoid double counting.
 - Buildings dedicated to industrial activities with net negative environmental impacts (e.g. for the purpose of fossil fuel activities, including occupation by fossil fuel extraction, transport of fossil fuels or manufacturing of fossil fuels); Residential Buildings for the purpose of secondary housing (holiday homes...).
- Groupe BPCE will put in place a process to identify events and/or potential controversies affecting the borrowers of the Eligible Loans that could undermine the environmental objectives targeted by the bonds, in order to take the appropriate corrective measures. If any material and critical controversies regarding an Eligible Loan emerge, the Issuer commits to substitute that loan by an alternative Eligible Loan. Areas for improvement include clarifying the definition of material and critical controversies and specifying which degree of severity of a controversy would lead to exclusion of a loan from the portfolio of Eligible Loans.

The identification and management of the main environmental and social risks associated with the Eligible Loans appears to be overall good.

The Issuer has formalised a relevant list of ESG selection criteria covering most environmental and social risks associated with the Eligible Projects in the Methodological Note and has identified relevant regulation, supporting elements and assessment documents that will allow to monitor that the risks identified are appropriately managed by the beneficiaries of the loans.

Since all projects will be located in Designated Countries of the Equator Principles, deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

Groupe BPCE will systematically perform an ESG controversies check (covering the sector, the borrower and the project) prior to project approval/selection in order to identify events and/or potential controversies that could represent an environmental and/or social risk. Contractual clauses within the loan agreement will require the Borrower to comply with national legislations and to report and disclose to the Issuer any events or incidents happening throughout the life of the loan, allowing BPCE to take appropriate measures.

We consider that the following environmental risks related to the construction and use of the buildings, namely energy consumption and GHG emissions from the final use of the buildings, biodiversity, aesthetic landscape, adaptation to climate change, construction waste management, local pollution/local disturbances from construction and exploitation phases are covered for all projects through the eligibility criteria of the Bond, national regulations and urban plans, construction and exploitation permits required by BPCE at loan approval and certifications and labels. For Loans aiming at financing energy efficiency works within the context of ECO-PTZ, a Recognized Environmental Guarantor professional ("Reconnu Garant de l'Environnement"- RGE) will ensure quality of works, respect of norms and quality standards in terms of energy efficiency.

Concerning water use, energy consumption and GHG emissions during the construction phase, and eco-design (to increase building life span, improving building material and components reuse and recycling, and ease of deconstruction), we consider that these issues are well managed for buildings covered by certifications and labels. For construction works of buildings covered only by the eligibility criteria of "belonging to the top 15% of the most carbon efficient buildings in their respective region" and "aligned with European Nearly-Zero-Energy Buildings (NZEB) low consumption building standards" the management of these issues does not appear to be covered for all countries.

Regarding workers' human and labour rights as well as workers' health, safety and working conditions, construction and renovation works are governed by French and national laws of other countries where projects will be financed or refinanced, covering all relevant issues for all Eligible Loans. We consider that the risks associated with the health and safety of occupants and visitors of buildings are covered through national regulations and "in-use" certification processes.

A Client Risk Assessment (based on KYC and Anti Money Laundering internal processes) will be performed prior to any project approval and throughout the life of the Loan in order to cover the risks of money laundering, corruption, conflict of interest and over indebtedness.

Management of proceeds

The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.

The allocation process is clearly defined and formalised in the Framework and in the Methodology Note.

- The issuances can be done by BPCE, Natixis, Special Purpose Vehicles, BPCE SFH or Compagnie de Financement Foncier and the Issuer will identify Green Bonds issuances Green Bonds issuances in the system through an ISIN code and a "Green" flag. The net proceeds of the Bonds will be collected and managed by Groupe BPCE's Treasury department.
- A Green flag will be introduced in the treasury system to identify a pool of eligible loans and match it with the ISIN code of Green issuances. The internal tracking system will ensure that no fungibility with other sources of wholesale funding takes place.
- The Treasury department¹¹ will proceed to intragroup loans equal to the issued amount from the main body to originating entities on a pro-rata basis of the eligible assets provided.
- The Issuer has committed to allocate all proceeds of the Bonds to Eligible Loans at settlements or within 24 months after the issuance of a specific Green Bond.
- Pending full allocation of the net proceeds, the balance of unallocated proceeds will be kept in cash or cash equivalent and will not be invested in loans to clients who participate in activities explicitly excluded in the Sustainable Development Bond Programme Framework (mining – including coal, oil & gas, defence, nuclear activities and tobacco).
- In case of divestment, or if a loan fails to comply with the eligibility criteria, the Issuer has committed to use its best efforts to replace it with another Eligible Loan within 12 months, or, when not possible, to keep the divested amount in cash or cash equivalent and to reallocate the proceeds to another Eligible Loan as soon as possible.

Traceability and verification are ensured throughout the process:

- The Committee (via the Portfolio Management & Financial Engineering function) will ensure the adequate monitoring of the evolution of the Green Portfolio on a quarterly basis and that the issued amount remains significantly lower than the nominal of the green portfolio.
- BPCE has committed to an independent third-party verification of the tracking and allocation of proceeds once a year and until maturity of the Bonds.

¹¹ Specific arrangements are set in case the Issuer consists in a Special Purpose Vehicle or a Covered Bond

Monitoring & Reporting

The reporting process and commitments are good. The selected reporting indicators related to the fund's allocation and to environmental benefits are considered clear and relevant.

The processes for monitoring, data collection, consolidation and reporting are overall clearly defined in the Framework and in the Methodology Note.

The process relies on relevant internal expertise and involves relevant departments of the Issuer:

- The Portfolio Management & Financial Engineering function will be responsible for producing the report relying on data provided by relevant departments.
- The Committee will validate the report.

The Issuer has committed to annually and transparently report on the Bonds, until their maturity, through dedicated Sustainable Development Bond Programme Reports. The Reports will be made publicly available in a dedicated page on BPCE's website. The Issuer will report at Bond (or batch of bonds or notes) and at Programme level (e.g. eligible pool of loans) on both the allocation of the proceeds and on the environmental outputs and impacts.

The Issuer commits to transparently communicate on:

- Allocation of proceeds: the selected reporting indicators related to the fund's allocation are considered clear and relevant.

Allocation reporting indicators
- Number and amounts of loans granted (Nb) ¹²
- Asset Types: Residential or Non-Residential (%)
- Geography (%)
- Development & Acquisition vs Refurbishment of existing buildings (%)
- Year of construction or last refurbishment (%)
- Average Loan-to-Value by Asset Type (%)
- Share of financing vs. refinancing (%)
- Amount of unallocated proceeds kept in cash and cash equivalents (EUR)

- Environmental benefits: the selected reporting indicators are considered clear and relevant.

Environmental benefits indicators
- Number of housing built or refurbished
- Loans dedicated to Single housing vs Multi-family (%)
- Environmental certification or Energy Efficiency Label achieved/targeted & year of obtention
- Estimated Annual Energy Savings (<i>in kWh per sqm/year</i>)
- Estimated Annual Avoided/Saved GHG emissions (<i>in tCO2 equivalent per sqm/year</i>)

¹² Project and Sponsor names - Due to French banking laws, BPCE, Natixis and other group entities cannot disclose the name of the underlying projects or sponsors. Projects specific data will thus be anonymized.

Reporting will be based on direct data collection from Groupe BPCE's internal system. Reporting on the environmental benefits will only include the pro-rata share of output and impact indicators corresponding to the project amount financed by the Green Bonds (green bond share of financing vs. total project amount). Reporting on impact indicators (energy and GHG emissions savings) will be provided on a case by case basis depending on data availability and statistical analysis will be implemented to assess ex-ante environmental impact if necessary.

The Issuer has disclosed the reporting methodologies and assumptions that will be used to calculate the environmental benefits linked with the Green Bonds in the Appendix to the Methodological Note.

Groupe BPCE will appoint an external auditor to verify on an annual basis, and until bond maturity, the bonds proceeds allocation. An area for improvement is to commit to an external verification of the data used to report on the environmental benefits of the bonds.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.

Level of the Issuer's ESG performance

The Issuer's ESG performance has been assessed by Vigeo Eiris on the basis of its:

- **Leadership:** relevance of the commitments (content, visibility and ownership).
- **Implementation:** coherence of the implementation (process, means, control/reporting).
- **Results:** indicators, stakeholders' feedbacks and controversies.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

The rules for the management of proceeds and the allocation process are evaluated by Vigeo Eiris on their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

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, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

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