



October 2019

SCOPE

Groupe BPCE has launched a “Sustainable Development Bond Program” (hereafter the “Programme”) with the aim to govern the issuances of potential Green and/or Social Bonds.² 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 published in 2018.³

In addition to this overall Framework, Groupe BPCE has recently created a Methodology Note for the Social Housing Eligible Category (the “Methodology Note”), in order to describe the specific characteristics of Social Bonds² 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 Social Bonds to be issued using this new Methodology Note.

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

Our opinion is based 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 ESG controversies and its involvement in controversial activities.⁴
- 2) Issuances: the assessment of the applying 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 with the Issuer’s strategic social commitments, the Bonds’ potential contribution to sustainability and their alignment with the four core components of the SBP 2018.

Our sources of information are multichannel, combining data from (i) public sources, press content providers and stakeholders, (ii) Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with Issuer’s managers and stakeholders involved in the preparation of the potential Bonds issuance.

We carried out our due diligence assessment from July 2nd to October 16th, 2019. We consider that we were provided with access to all the appropriate documents we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS’ OPINION

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

We express a reasonable assurance⁵ 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 The “Green and/or Social Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green and/or Social Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ <https://groupebpce.com/en/investors/funding/social-bonds>.

⁴ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine and Tobacco.

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

1) Issuer (see Part I):

- ▶ As of December 2018, Groupe BPCE displays a good ESG performance overall, ranking 9th in our “Diversified Banks” sector which covers 31 companies. In particular, the Issuer displays an advanced performance on the Environment and Social pillars and a good performance on the Governance pillar. Our assurance that the Issuer’s risk factors are adequately managed is reasonable, including reputational, human capital, legal and operational risks.
- ▶ As of today, Groupe BPCE faces six controversies, related to the Environment domain (“Green products and SRI”, “Climate change”), to Human rights (“Fundamental human rights”), to Community Involvement (“Social and economic development”, “Financial inclusion”), and to Governance (“Corruption and money laundering” and “Responsible customer relations”). The frequency of the controversies is considered occasional. Their severity is considered high, based on the analysis of their impact on both the company and its stakeholders, and the company is considered overall remediative.
- ▶ Groupe BPCE is not involved in any of the 15 controversial activities screened under Vigeo Eiris methodology.

2) Issuances (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalised Sustainable Development Bond Program Framework (provided in 2018) complemented by a Methodology Note for Social Bonds/Social Housing Eligible Category (last version provided on 4th September 2019). Groupe BPCE has committed to make this document publicly accessible on Groupe BPCE’s website before the Bonds’ issuance date, in line with good market practices.

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.

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: Social Housing. We consider that the Eligible Category, the sub-categories and the Eligible Loans are overall clearly defined.
- ▶ The Eligible Loans are intended to contribute to two main social objectives, namely: contribute to broaden the access to adequate, safe and affordable housing, and contribute to expand access to home ownership. These objectives are formalised in the Methodological Note and are considered clearly defined and relevant.
- ▶ The target population has been clearly defined by the Issuer as low-income population, defined by French law according to the income tax reference of the persons living in the household, depending on geographic areas.
- ▶ The Bonds are considered likely to contribute to two United Nations’ Sustainable Development Goals, namely: Goal 1. No Poverty and Goal 11. Sustainable Cities and Communities.
- ▶ Eligible Loans are considered to provide overall clear and measurable social benefits. The Issuer has committed to assess and quantify the social benefits of its issuances and to publicly communicate an estimation of social benefits at least annually within the reporting.
- ▶ The Issuer has not communicated any ex-ante refinancing share for the proceeds of the Social Bonds, but it is committed to publicly disclose it for each issuance and in the reporting. An area for improvement is to formalise this commitment in the Methodology Note for Social Housing. 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 Project Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Program Framework and in the Methodology Note. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives of the Sustainable Development Bond Program and of the Methodology Note for Social Housing.
- ▶ The identification and control of the material environmental and social risks associated with the Eligible Loans are considered to be 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.

Monitoring & Reporting

- ▶ The reporting process and commitments are good, covering both the funds allocation and the social benefits (outcomes and impacts) of the selected Eligible Loans.

Groupe BPCE has committed to support its Bonds issuances with 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 website⁶ before its Bond issuances, in line with market practices.
- ▶ 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 and the pending cash allocation, for each Social Bond issued. An area for improvement is to commit to an external verification of the data used to report on the social benefits of the Bonds.

This Second Party Opinion is based on the review of Groupe BPCE's Methodology Note for Social Bonds/Social Housing Bonds, according to our exclusive assessment methodology and to the SBP voluntary guidelines (June 2018)

Paris, 16th October, 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, owning 0.08%).

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, 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 any 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. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the assets to be financed by the Bond. 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 opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication are at the discretion of the Issuer, submitted to Vigeo Eiris approval.

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 the investment arm Natixis, the Group offers banking, insurance, loans, real estate financing, asset management, private equity, investment solutions, and customized financial services.

Level of ESG performance

As of December 2018, Groupe BPCE displays a good ESG performance overall, ranking 9th in our “Diversified Banks” sector which covers 31 companies.

Domain	Comments	Opinion	
Environment	Groupe BPCE's performance on the Environment pillar is advanced.	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.		
	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, entity of Groupe BPCE, adhered to the Montreal Carbon Pledge and the Portfolio Decarbonization Coalition and support 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 on its consolidated equities portfolio.		Limited
Social	Groupe BPCE's performance on the Social pillar is advanced.	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 an agreement on professional equality and gender equality was renewed. Diversity-related indicators show 5-year improving trends.		
	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 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
	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	

Governance	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
	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.	Weak

Management of stakeholder-related ESG controversies

As of today, Groupe BPCE faces 6 stakeholders related ESG controversies, related to five domains analysed by Vigeo Eiris:

- Environment, in the criteria "Green products and SRI" and "Climate change".
- Human Rights, in the criterion "Fundamental human rights".
- Community Involvement, in the criteria "Social and economic development" and "Financial inclusion".
- Business Behaviour, in the criteria "Corruption and money laundering" and "Responsible customer relations".
- Corporate Governance, in the criterion "Internal controls & risk management".

Frequency: the frequency of the controversies is considered occasional (scale: isolated, occasional, frequent, persistent), below sector average.

Severity: The severity of these events, based on the analysis of their impact on both the company and its stakeholders, is considered high (scale: minor, significant, high, critical), in line with sector average, ranging from significant (3 cases of significant severity) to high (3 cases of high severity).

Responsiveness: Groupe BPCE is considered globally remediative (scale: proactive, remediative, reactive, non-communicative), above sector average: the company communicates in a detailed way on its position in relation to four out of six controversies, has taken systematic remedial actions for one controversy and has voluntarily taken specific corrective actions for another controversy.

Involvement in controversial activities

Groupe BPCE is not involved in any of the 15 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels Industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on 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 of the issuance

Context note: Ensuring access for all to adequate, safe and affordable housing is one of the 169 targets of the 2030 Agenda for Sustainable Development. As the global economy's largest sector by market capitalization, banks have a great potential to support society's social and economic development on a global and local scale, including by financing the access to housing for low-income population and the development of the social housing stock.

By integrating ESG risks into the assessment of loans, future investments and project financing, banks can have a substantial impact on society and influence social housing landlords towards more responsible practices. Moreover, the banking sector can effectively contribute to financial inclusion and the reduction of inequalities by ensuring the accessibility of its products and services to a larger number of customers, including the most vulnerable ones (low income population, young people etc.).

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.

Groupe BPCE has set an objective to support vulnerable customers and promote local social and economic development, notably by supporting community investments and providing access to basic banking services for the vulnerable, and by committing to finance in a sustainable way its main local stakeholders. The Issuer states that its cooperative banking model sets a unique tone for CSR commitments, by developing a relationship with the regions which emphasises regional roots, close relations and solidarity.

With the launch of its Strategic Plan 2018-2020 – TEC 2020 (Transformation Digitale – Engagement – Croissance), Groupe BPCE aims to reiterate its engagement with the society, local territories and ecosystems, with a strong commitment to green growth and CSR. It also aims to strengthen its position as a bank for all customers, reinforcing access to vulnerable customers, disabled and protected persons and microcredit. Groupe BPCE has also committed to granting over EUR 10 billion in energy transition loans, to invest more than EUR 35 billion from deposits and savings into responsible investment solutions, and to issue two Green or Social bonds per year up to 2020.

By issuing Social Bonds to finance or refinance, in full or in part, loans related to Social housing, the Issuer coherently aligns with its sustainability strategy and commitments and it addresses the main issues of the sector in terms of social responsibility.

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: Social Housing. We consider that the Eligible Category, the sub-categories and the Eligible Loans are overall clearly defined.

The Eligible Loans are intended to contribute to two main social objectives, namely: contribute to broaden the access to adequate, safe and affordable housing, and contribute to expand access to home ownership. These objectives are formalised in the Methodological Note and are considered clearly defined and relevant.

The target population has been clearly defined by the Issuer as low-income population, defined by French law according to the income tax reference of the persons living in the household, depending on geographic areas.

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

The Issuer has not communicated any ex-ante refinancing share that will be applied to the proceeds of the Social Bonds, but it is committed to publicly disclose it for each issuance and in the reporting. An area for improvement is to formalise this commitment in the Methodology Note for Social Housing. 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 Social Bonds to finance or refinance, in full or in part, loans for the development and renovation of the French social housing stock and for social home ownership. The characteristics of these Eligible Loans are indicated in the table below.

Groupe BPCE's Methodology Note for Social Bonds/Social Housing					Vigeo Eiris analysis
Eligible Loan Category	Eligible Loan Sub-categories	Definition	Eligibility Criteria - Selection	Objectives and expected benefits	
Social Housing	Development and renovation of the French social housing stock	Loans to landlords/HLM (Habitations à Loyer Modéré) offices, dedicated to finance social housing development and renovation.	<p>Eligible legal status</p> <p>Eligible Loans will be exclusively accessible to three types of French Social Housing Landlords:</p> <ul style="list-style-type: none"> - OPH (Offices Publics de L'Habitat); - ESH (Entreprises Sociales pour l'Habitat); - SEM (Société d'Economie Mixte) 	<p>Contribute to broaden access to housing</p> <p>Increase in the number of newly built dwellings</p> <p>Increase in the number of dwellings subject to subsidised housing conditions</p> <p>Increase in number of dwellings located in "priority areas"</p>	<p>The definition is clear.</p> <p>The target populations have been clearly identified in the Methodological Note as low-income populations subject to specific conditions of resources as defined by French Law.</p> <p>The intended social objectives are clear and relevant.</p> <p>The social benefits are clear, measurable, and relevant. An area for improvement is to quantify the expected social benefits with ex-ante social targets.</p>

Groupe BPCE's Methodology Note for Social Bonds/Social Housing					Vigeo Eiris analysis
Eligible Loan Category	Eligible Loan Sub-categories	Definition	Eligibility Criteria - Selection	Objectives and expected benefits	
	Social Home Ownership	Loans to households, dedicated to finance the acquisition of new or existing housing.	<p>Eligible Loans products:</p> <ul style="list-style-type: none"> - "P.S.L.A." (Prêt Social Location Accession) dedicated to acquisition of new housing after a rental period (call option), with legally defined social requirements for both the borrower (buyer) and the property operator (vendor). - "Vente HLM" dedicated to acquisition of existing housing (built or acquired by an HLM office since more than 10 years), with legally defined quality and social requirements for both the borrower (buyer) and the property operator (vendor). - "PAS" (Prêt à l'Accession Sociale) dedicated to acquisition of new or existing dwelling by households meeting maximum income requirements - "OFR – BRS" (Organisme de Foncier Solidaire – Bail Réel Solidaire) (new or existing buildings) dedicated to the acquisition of dwellings by the occupying household by entering into a specific leasing agreement which allows the household to purchase the dwelling but not the underlying land in order to reduce significantly the purchase price. 	<p>Contribute to broaden access to home ownership</p> <p>Increase in number of beneficiaries of social housing loans</p>	<p>The definition is clear.</p> <p>The target populations have been clearly identified in the Methodological Note as low-income populations subject to specific conditions of resources as defined by French Law.</p> <p>The intended social objectives are clear and relevant.</p> <p>The social benefits are clear, relevant and measurable. An area for improvement is to quantify the expected social benefits with ex-ante social targets.</p>

The Bonds are considered likely to contribute to two United Nations' Sustainable Development Goals, namely: Goal 1. No Poverty and Goal 11. Sustainable Cities and Communities.



UN SDG 1 consists in ending poverty in all its forms everywhere. More precisely, SDG 1 targets by 2030 include:

- 1.4 Ensuring that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



UN SDG 11 consists in making cities inclusive, safe, resilient and sustainable. More precisely, SDG 11 targets by 2030 include:

- 11.1 Ensuring access for all to adequate, safe and affordable housing and basic services and upgrade slums.

Process for Projects Evaluation and Selection

The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Program 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 Program level, Groupe BPCE has created a Sustainable Development Bond Governance Committee (or 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 Program – its specific tasks are clearly defined and disclosed in the Program 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:
 - The department in charge of the selection of Eligible Loans will report on selected projects to the Committee, which will meet twice a year.
 - An independent auditor will verify the compliance of the Eligible Loans with the selection process and criteria under each Bond issuance.

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives of the Sustainable Development Bond Program and of the Methodology Note for Social Housing.

- 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, including target populations, as defined for each category by French Law are clearly specified in the Appendices to the Methodology Note.
- Exclusion: 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.
- 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 social 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 control of the material environmental and social risks associated with the Eligible Loans are considered to be good.

Groupe BPCE will systematically perform an ESG controversies check (covering the sector, the borrower and the project) at project approval in order to identify all relevant risks associated to Eligible Loans. 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.

Contractual clauses within the loan agreement will require the Borrower to comply with the French and European legislations and to report/disclose to the Issuer any events or incidents happening throughout the life of the loan, allowing BPCE to take appropriate measures.

Construction and renovation of the French social housing stock

Energy consumption and GHG emissions: Construction and renovation projects to be financed by the Eligible loans fall under French Law. In France, all new buildings are subject to the RT 2012 regulation, which sets technical requirements in terms of energy efficiency, energy consumption and isolation. This regulation sets the maximum energy consumption of a building in terms of average annual energy consumed per squared meter (m²). Mandatory assessments⁷ (including pre-thermal assessment and post construction airtightness control tests) enable to verify that the building project meets the requirements of RT 2012. BCPE considers by default that all buildings projects are compliant with RT 2012.

Renovation works on existing buildings must at least meet thermal and energy performance requirements of existing buildings set by French regulation.⁸ An area for improvement is to strengthen controls and to select best performers through additional eligibility criteria aimed at promoting renovation projects covered by international recognised environmental certifications for building renovation.

Urban sprawl: Like for other actors of the Banking sector, no specific measures to limit urban sprawl have been identified.

Health and Safety of workers & worker's human and labour rights: Regarding workers' human and labour rights and health, safety and working conditions, construction and renovation works are governed by French law and notably by the articles of the French "Code du travail", which covers all relevant issues.

Social Home Ownership

Information to client: Account managers within BPCE are required to respect their duty to inform and warn customers on relevant issues to be taken into consideration when acquiring a house, covering when relevant comfort, salubrity and accessibility of the house to be acquired.

Energy efficiency of buildings to be acquired: Prior to the loan attribution, BPCE does not assess the energy performance of the dwelling to be financed. An area for improvement consists in establishing a mechanism to be able to assess and exclude loans for housing with the worst energy performance and/or with a bad performance in terms of comfort, salubrity or accessibility.

Over-indebtedness: The conditions for access to credit (preferential interest rate credits, maximum gross income of the debtor, maximum entry fee, maximum amount of credit) are strictly defined and regulated by French Law. BPCE will be in charge of requesting all the necessary supporting documents to verify the compliance with these conditions. Additionally, account managers are regularly trained on over-indebtedness topics and dedicated tools and programmes have been created to address related issues.

⁷ For instance an Environmental Impact Assessment is mandatory for several construction works, according to articles L. 122-1 to L. 122-3 and R. 122-1 to R. 122-15 of the French Environmental Code.

⁸ Arrêté du 3 mai 2007 relatif aux caractéristiques thermiques et à la performance énergétique des bâtiments existants ; <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT00000822199#LEGIARTI000034310788>

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 are clearly defined and formalised in the Framework and in the Methodology Note.

- Social Housing Bonds issuances done by Groupe BPCE or Natixis will be given an ISIN code and tagged as Social Housing. The net proceeds of the Bonds will be collected and managed by Groupe BPCE's Central Treasury.
- A Social Housing flag will be introduced in the treasury system to identify a pool of eligible loans and match it with the ISIN code of Social Housing issuances. The internal tracking system will ensure that no fungibility with other sources of wholesale funding takes place.
- An amount equal to the net proceeds of the Social Bond issued, swapped into the currency in which the eligible loans are denominated if the bonds are not issued in that currency in order to cover the currency risk, will be granted to social housing loans originating entities within Groupe BPCE by way of intra-group loans and will be matched to existing, ongoing or future eligible Social Housing loans.
- 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 Social Bond, in line with good market practices.
- 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 Program 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 replace it with another loan respecting the eligibility criteria within 12 months, in line with best market practices.

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 Social Portfolio on a quarterly basis and that the issued amount remains significantly lower than the nominal of the social portfolio.
- BPCE has committed to an independent third-party verification of the tracking and allocation of funds of each Bond's proceeds once a year and until maturity of the Bond.

Monitoring & Reporting

The reporting process and commitments are good, covering both the funds allocation and the social benefits (outcomes and impacts) of the selected Eligible Loans.

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 Program 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 Program level (e.g. eligible pool of loans) on both the allocation of the proceeds and on the social outputs and impacts. Reporting on the social benefits will only include the pro-rata share of output and impact indicators corresponding to the amount financed by the Social Bonds (social bond share of financing vs. total amount of the loans).

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.

Sub-categories	Allocation reporting indicators
Development and renovation of the French social housing stock	<ul style="list-style-type: none"> - Allocated amount (EUR) - Share of financing vs. refinancing - Number and amount of loans granted to social housing landlords, total and dispatched by type of social housing landlord* - Amount of unallocated proceeds kept in cash and cash equivalents
Social home ownership	<ul style="list-style-type: none"> - Allocated amount (EUR) - Share of financing vs. refinancing - Number and amount of loans granted to social home ownership, total and breakdown by product - Amount of unallocated proceeds kept in cash and cash equivalents

*Due to French banking laws, the Issuer cannot disclose the name of the underlying landlords or sponsors. Specific data will thus be anonymised.

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

Sub categories	Social benefits indicators
Development and renovation of the French social housing stock	<p><u>Data will be aggregated by type of landlord:</u></p> <ul style="list-style-type: none"> - N. of newly built and renovated dwellings (equivalent to n. of households) financed - % of new dwellings built over the year - % of dwellings subject to subsidised housing conditions - % of dwellings rented to households subject to housing aids (i.e. French APL or AL) - % of dwellings located within "priority area" (i.e. quartiers prioritaires) - Average age of housing stock of social housing landlords financed
Social home ownership	<ul style="list-style-type: none"> - N. of beneficiaries (equivalent to n. of households) - Amounts of loans granted by social-professional categories - Amount of loans granted by housing area (A, B or C) or by level of ownership area**

**Ownership rate per area: source Insee https://statistiques-locales.insee.fr/#c=indicateur&i=bdcom.pt_log_rp&s=2016&view=map2

Reporting will be based on direct data collection from Groupe BPCE's internal system (Ecolocale database). An area for improvement is to disclose the methodologies and assumptions that will be used to calculate social benefits in the reporting.

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 social 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 objectives, management and reporting of the assets to be financed by this transaction.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on our generic Insurance ESG assessment frameworks and specific issues considering 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 Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the Company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

NB: The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating.

Level of the Issuer's ESG performance

The Issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on relevant ESG drivers organized in the 6 sustainability domains. CNP's 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.
- Scale for assessment of ESG performance: Advanced, Good, Limited, Weak.

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 on unproven facts.

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

15 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 precise 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 Social Bond Principles 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 regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding 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 on material issues considered in Vigeo Eiris' ESG assessment methodology based on 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 regarding their transparency, coherence and efficiency.

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a 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 by the issuance. Vigeo Eiris has evaluated the reporting framework regarding its transparency, exhaustiveness 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, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat and Santiago.

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