Our approach for a BPCE / Natixis Transition Bond
Groupe BPCE at a glance
A LARGE COOPERATIVE BANKING AND INSURANCE GROUP...

A structure and governance ensuring a strong commitment to the development of regional and international expertise on a long-term basis and an alignment of interests for all the Group’s stakeholders

2 REGIONAL COOPERATIVE BANKING NETWORKS

14 Banques Populaires

15 Caisses d’Epargne

BPCE SA, THE GROUP’S CENTRAL INSTITUTION

BPCE SA is responsible for:
- Strategy
- Control and coordination
- Group’s MLT funding
- Internal solidarity mechanism

3 CORE BUSINESSES

Retail Banking & Insurance
Asset & Wealth Management
Corporate & Investment Banking

ORGANIZATION CHART OF GROUPE BPCE

9 million cooperative shareholders

100% => 50% => 50% => 100%1

BPCE SA

1 Via Local Savings Companies
2 Banque Palatine, FSE subsidiaries etc.
A universal bank with 3 clear business lines defined predominantly by retail activities in France and an international footprint in AWM and CIB

One of the 30 Global Systemically Important Banks (G-SIBs)

...WITH A DIVERSIFIED BUSINESS MODEL & LEADING MARKET POSITION...

Contribution to the FY 2019 gross operating income

70%

16%

14%

RETAIL BANKING & INSURANCE

Financial Solutions & Expertise

#2 in France
21.2% of market share for customer loans
22.0% for deposits and savings

#10 worldwide by revenue
#16 by AuMs

#2 European Fund

Leading player within the global sectoral approach

(1) Excluding the corporate center and exceptional items (2) Source BDF as at Dec. 31, 2019 (3) Based on ranking of publicly traded asset managers (4) IPE “Top 400 asset managers” based on AuM as at December 2018 (5) Morningstar European Fund ranking excl. MMF and ETF
2
BPCE SUSTAINABILITY & CLIMATE COMMITMENTS
WE ARE ECO-FRIENDLY AND SOCIOALLY AWARE...

Corporate Social Responsibility is Central to BPCE’s Strategy

As part of our strategic plan, Groupe BPCE has implemented a CSR policy focused on achieving four key policy agendas: Economic Sustainability, Community Development, Environmental Conservation, and Social Advancement.

ELEVEN PRIORITY PROJECTS IDENTIFIED BY THE GLOBAL CSR HAVE BEEN LAUNCHED

**ENVIRONMENTAL POLICY**
- Renewable energy development
- Funding local public authorities to achieve their energy and ecological transition projects
- Households and SMEs
- Reducing our direct impact (-10% Carbon Audit)

**ECONOMIC POLICY**
- #1 bank for local authorities
- #1 bank for SMEs
- Promote responsible savings

**COMMUNITY DEVELOPMENT**
- Community investment

**SOCIAL POLICY**
- Work place and employee value
WITH AMBITIOUS TARGETS...

3 pillars
10 commitments in our TEC 2020 strategic plan

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<th>ECONOMIC AND SOCIETAL STRATEGY</th>
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<th>SOCIAL STRATEGY</th>
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**1.** 8 entities (7 in 2018)
- 12 Group entities audited by an external auditor based in ISO 26000
- 11 labeled group institutions (9 in 2018)

**2.** $86.4bn outstanding
- 2.4% between 2017 and 2019
- $10.8bn outstanding – Funding of the energy transition
- 3 public issues in 2018
- 2 public issues in 2019
- $4bn of outstanding green or social bonds issued by BPCE as of end 2019

**3.** $35bn Responsible savings including SRI
- 10% Reduction in CO₂ emissions
- $10bn outstanding amounts and commitments o/w renewable energies
- 2 green or social bond issues/year during the 2018/2020 strategic plan

**Social Strategy**

- 56% (4) Employees recommending the Group as an employer
- 26.4%
- 30%
- 43.7%
- 45%
- 5.5M (in bn of hours)
- 10M Training hours for Group employees

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1) ISO 26 000 • 2018 : CEBPL, CERA, CEAPC, CEPAL, BPALC, BPRP, BPGO. In 2019 new institutions certified : CELC, CASDEN, CEMP, CREDIT COOP
2) LABEL RFAR : 2018 news institutions< CEAPC, CERA. Already labeled : BPCE SA, BPGO, BPRP, CEBPL, CEGE, CEIDF, CEMP
3) As at 31/12/2019
4) In 2019
AND AN INCREASING OFFER IN SUSTAINABLE PRODUCTS

GREEN CREDIT PRODUCTS
Retail credit products dedicated to the financing of the energy transition:

- Eco PTZ €508M
- PREVair & Ecureuil Crédit Développement Durable €236M
- AUTOVair & Ecureuil Auto DD €130M
- PROVair €130M

RESPONSIBLE SAVING PRODUCTS
Responsible savings in the form of savings accounts & investment products:

- CODEVair €1.9 bn
- CSLR €1.4 bn
- Crédit Coopératif €1 bn
- Natixis Investment Managers AuM €78bn

SPECIALIZED ENTITIES AND SERVICES
Entities designed to finance the development of renewable energies:

- In France: Energeco, Grand Ouest Environnement, Helia Conseil
- Natixis outside of France

CIB Green & Sustainable hub: A 15 people cross asset, operational and expert global team covering EMEA, APAC and Americas from investment solutions (structured products) to financing solutions (bonds, loans, securitization) & advisory (ECM, M&A...) for all Natixis CIB.

Renewable Energy Finance exposure: €9.8 bn

As of 12/31/19
BPCE CLIMATE RELATED COMMITMENTS

In the interest of combating climate change and contributing to the goal of becoming carbon neutral by 2050, Groupe BPCE continued its efforts and investments in the oversight and management of climate risk.

Governance
- Climate Risk Department created in the Risk Governance division on January 1, 2019 in conjunction with the CSR department of BPCE SA’s Retail Banking and Insurance division, and Climate Risk Committee created on January 1, 2020 chaired by CEO.
- Climate Risk and CSR expertise were represented on the Sector Risk Oversight Committees.

Risk management
- Systematic incorporation of ESG criteria in credit risk policies.
- Incorporation of climate risk in the Group internal risk database and in macro-level risk mapping.
- Use existing climate scenarios developed by think tanks & organizations with internal models and set up in-house climate research and collaborate with NGOs, research agencies.

Strategic objectives:
- Reducing the Group’s carbon emissions.
- Increasing the funding of the energy transition.
- Increasing responsible deposits and savings.
- Developing the brokerage of sustainable financing (green or social).

Indicators & metrics
- Definition of ESG performance indicators specific to each sector in progress.
- Creation of a classification system to identify green assets in the information systems.
- Software tool for determining the Group’s GHG footprint.
- Participation in marketplace initiatives to develop climate stress tests incorporating transition and physical risks.
- Carbon footprint measurement of fund strategies.
3
NATIXIS SUSTAINABILITY & CLIMATE COMMITMENTS
A dedicated ESR team of 11 people reporting directly to a member of Natixis’ Senior Management Committee since 2017, with 3 priorities:

- A network of 200 business and functional correspondents throughout all Natixis’ business lines
- 15-person team dedicated to sustainable finance products and services within the CIB (Green & Sustainable Hub)
- 35 people dedicated to ESG within asset management (Natixis Investment Managers and affiliates)

Key principles driving our ESR strategy:

- Alignment with
- Manage the impacts of our activity
- Support our clients’ sustainable transition
- Engage with relevant stakeholders
- Set sustainable development targets and governance
- Report publicly on our achievements

Group-wide applicable exclusion and sectorial policies:

- Exclusions: controversial weapons, thermal coal, tar sands oil extraction, oil in Arctic region, tobacco
- Restrictions: nuclear power generation, palm oil, defense, oil&gas, mining, offshore oil&gas mobile production (FPSO)

Public commitments and contribution to global initiatives:

Signed in 2019:
- Principles for Responsible Banking
- Commitment to Climate Action
- act4nature
In 2019, BPCE Group joined the **Principles for Responsible Banking**, a collective commitment of the banking sector to take concrete action on achieving Sustainable Development Goals (SDGs) and Paris Agreement targets

- Launched September 2019: **1st global framework for incorporating sustainability in all banking activities** (strategy, governance, financing, market and advisory activities)
- Developed by a core group of **30 founding banks** (including Natixis) coordinated by UNEP FI
- **Coalition of 185+ banks worldwide**, representing over USD 47 trillion in assets

In 2019, **Natixis joined the Collective Commitment to Climate Action**

- historic pledge of 31 banks to set concrete targets by 2021
- implementation coordinated by UNEP FI secretariat
- farthest reaching commitment to climate alignment by the banking sector to date

In 2018, **Natixis Assurances** (insurance activity) **pledged to align its investment policy with the Paris Agreement goal to limit global temperature increase below 2°C by 2030**

- €50bn of assets to be aligned in 2030
- 10% of climate-related investments every year, €980m in 2019

Several affiliates of **Natixis Investment Managers** (asset management) **are also committed to ESG integration and/or alignment with Paris Agreement**:

- 93% AuM under **UN-Principles for Responsible Investment** (€843bn as of 30/06/2020)
- Affiliates measuring carbon footprint and/or alignment: Ostrum, Mirova, DNCA, Ossiam, Naxicap
**What it is:**
The Green Weighting Factor is an internal mechanism that links analytical capital allocation to the degree of climate and environmental performance of each financing.

- It is a tool that incentivizes the origination of environmental friendly loans by weighting on the risk weighted assets linked to the loans.
- RWAs being linked to their business profitability, the originators are encouraged to account for the environmental aspect of each deals.
- In the end, the numbers of environmental friendly deals in the bank’s balance sheet is bound to increase.

**Its Purpose:**
The Green Weighting Factor was designed to actively manage and steer Natixis CIB origination & balance sheet’s transition.

- Accelerate the CIB’s transition to Sustainable finance i.e. incentivizing our green business origination (including in carbon intensive sectors).
- Integrate Climate Transition risk in the overall assessment of lending transactions, i.e. penalizing deals with negative impact on climate.
- Monitor the CIB’s climate strategy towards the UN & Paris Agreement goals.
- Be prepared to upcoming regulations regarding bank’s response to climate risk.

**Why it matters:**
It is a unique innovation, fully integrated into the bank’s processes and IT system representing an unprecedented management tool and an asset to further enhance our strategic dialogue with clients.

- The tool is already proving its use cases:
  - In our credit process & lending decision making
  - In our strategic dialog with clients and the quality of our sustainable finance products structuring
  - In our commercial strategic planning : client tiering, priority setting & green / transition opportunity screening
  - In our active balance sheet portfolio management : distribution, securitization
  - Climate transition risk assessment & climate stress testing
  - Internal Change management tool
As part of the “New Dimension” strategic plan for 2018-2020, Natixis’ social and environmental responsibility (including climate risks issues) are validated and monitored by the Board of directors.

A climate risk committee at BPCE level oversees the implementation of the climate strategy.

Since 2019, a Climate Risk Department has been created within BPCE Risk department.

Since 2017, Natixis’ ESR policy has been steered by a dedicated ESR Department reporting to Natixis’ Corporate Secretary, who is a member of the Natixis Senior Management Committee.

The Natixis top executives’ compensations are indexed in part to the company ESR performance data.
Recognized expertises
- The GSH team a cross-asset operational front office team dedicated to Green & Sustainable Finance, covering all CIB’s areas of expertise, products & services with a deep green & sustainable footprint.
- ESG officers recruited in several Asset Management affiliates in order to steer the ESG strategy.
- A dedicated investment team in Insurance focusing on ISR investment and on product development with an ESR focus.

In-depth dialogue with clients & Innovation
- In 2018, Natixis took the innovative step of introducing a Green Weighting Factor to support its clients in the shift towards lower carbon activities and gradually decarbonize its balance sheet.
- Natixis has been named Most Innovative Investment Bank for Climate & Sustainability at The Banker Awards 2018.

Business lines organization
- A Energy Transition Steering group has been structured in 2020 to drive Natixis CIB’s energy transition.

Awareness & training
- A far reaching training campaign is ongoing, to help both Front Officers and Credit Risk Analysts to understand the key concepts of ESG risk and climate risk analysis (materiality and intensity of climate risks, life-cycle analysis, supply chain analysis, associated reputation risk).

Sharing of best practices
- In 2018, Natixis joined the UN Environment Program Finance Initiative (UNEP-FI) to address climate risks. In 2019, Natixis took part in banking sector discussions with the ACPR on two major topics: climate strategy and governance, and climate risk metrics.
- Natixis was invited to present its system for analyzing transition risk in its financing activities by the NGFS.
- BPCE and Natixis participated in a working group addressing Article 173, Provision V of the Energy Transition for Green Growth Act.

Exemplarity & direct impact
- Natixis takes a number of measures to limit its own impact on the climate (carbon neutrality of power consumption via renewable energy supply contracts, energy-efficient buildings, eco-friendly business travel).

Partnering with our clients in the transition to a low carbon economy and be consistent in our own practices

Sustainable finance is the core focus of Natixis Strategic Plan
In 2019, Natixis was the first bank to manage the climate impact of its balance sheet using the Green Weighting Factor (GWF). This internal capital allocation model adjusts the return on each credit facility according to its impact on the climate. It applies to Natixis' financing across all business sectors worldwide with the exception of the financial sector.

Natixis is involved in 2020 APCR macro stress testing exercise and EBA climate-related sensitivity analysis.

As a signatory of the Equator Principles, Natixis incorporates climate change into the environmental impact assessments conducted on its major projects. This framework was strengthened by the EP IV amendment which take account physical and transition risks as set out in the TCFD and the Paris Agreement.

To identify, measure and monitor its corporate clients' ESG risks (including climate risks), Natixis has built a complementary solution, named ESR Screening. The new solution will be gradually rolled out in all regions in 2020. The system will be integrated with client onboarding and loan approval processes to allow the systematic analysis of ESG risks.
In the context of its commitment to the Principles for Responsible Banking (PRB) Natixis has pledge to:
- align its portfolios to reflect and finance the low carbon, climate-resilient economy required to limit global warming to well-below 2, striving for 1.5 degrees Celsius;
- take concrete action, within a year of joining, and use its products, services and client relationships to facilitate the economic transition required to achieve climate neutrality;
- be publicly accountable for its climate impact and progress on these commitments.

Natixis Assurances has pledged to:
- align its investment policy with the 2°C climate scenario and each year it will devote nearly 10% of new investments to green assets, with a target of 10% of its total investments being in green assets by 2030.

Portfolio exposure to renewable and non-renewable power energies per year

- Natixis arranged 28 green bond issues in 2019, for a total arranged amount of €15.1 billion, confirming its solid positioning on this market, especially in Europe.

- In 2019, renewable energy accounted for more than 90% of total financing granted by CIB in the electricity production sector.

- To monitor climate related risk, KPI have been added to the Risk Appetite Framework (RAF).

- In 2019, Natixis’ environmental reporting quality, including both direct and indirect impacts, was rated B by the Carbon Disclosure Project.
An innovative tool to green Natixis’ balance sheet

In-house mechanism linking analytical capital allocation to the degree of sustainability of each financing

![Image](image_url)

**Objectives**
- Incentivize Natixis’ green business origination to speed up the bank’s transition to sustainable finance
- Integrate climate transition risk in the overall risk assessment of lending transactions

**Scope**
- EUR 145bn of loan book
- 8 macro sectors / 46 decision trees: agricultural, environmental services, metals and mining, oil and gas, power, real estate and transport
- Excludes financial sector, holdings, securitization vehicles

**Pre-requisites**
- Development of a proprietary methodology (taxonomy) to assess financings depending on environmental / climate impact / Split between General Purpose and Dedicated purpose deals
- Methodology support from Carbone 4, Icare & Quantis

**Impacts**
- Transaction level: decision to transact (or not) depending on financial performance indicators
- Portfolio level: business mix impact ex-ante

**Timing**
- Methodology developed in 2018 / 2019
- Implementation started progressively in all geographies and all lending activities in 2019
- Operational kick off on September 16 2019

The Green Weighting Factor methodological development leads to a highly detailed sector-based methodology whereby each financing transaction is assigned an environmental rating initially derived from an assessment of the deal’s climate impact and transition profile.

This systematic implementation is enabling the identification of “eligible corporate or assets loans” contributing to energy transition using the color rating.

We suggest to use the Green Weighting Factor to identify and select a portfolio of Natixis assets to structure a UoP Transition Bond

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Natixis pioneered in sustainable financing with “Green Weighting Factor”…

...built on a proprietary environmental rating methodology

- Methodology using a 7-level scale using a life-cycle analysis approach
- Climate change centric, adjusted to most material environmental externalities

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**Objective**
- Natixis became the 1st international bank to introduce a green weighting factor for its internal capital model
- Moving forward, Natixis aims at aligning its balance sheet with the objectives of the Paris Agreement on climate (below 2°C trajectory), setting short, medium and long-term targets for Natixis CIB and for each business lines before YE2020
Overview of key principles

**Green/brown taxonomy**

7 levels - from Dark Brown to Dark Green

- **Climate change mitigation centric**, adjusted by most material environmental externalities: biodiversity, water, pollution, waste
- Make it **simple & feasible by business lines, with no room for interpretation**: limited number of criteria, retrievable information
- Integration of both the **absolute climate performance** (footprint) of a sector and the **relative performance** of a given client or project within its sector
- **Using a life-cycle analysis approach** along with established market practices
- **Cross-sector hierarchy** and colors cap & floors consistency
- **Ability to bonus “intensive sectors”**
- **Distinguish “general purpose” vs. “dedicated purpose” approaches**
- **Consultants**:  
  - Icare / Quantis: dedicated purpose  
  - Carbone 4 Finance: corporate ratings
- **Ensure coherence with existing industry standards / taxonomies, best available technologies, data providers => need for recurrent assessment grids updates**
- **Consistency with E&S risk evaluation** when available (e.g. Equator Principles, sectorial policies)
Dedicated purpose: A decision tree per type of financed activity/asset

**Sector X**

Financed activity 1

Climate average score
Initial Color

-1 -1 -1 -1

International average Best available technologies Regulations Labels Water stress
EU taxonomy Geographical hotspots Best practices Biodiversity externalities

Climate and environmental literature, norms, labels & KPIs

Best practices

Geographical hotspots

International average

Best available technologies

Regulations

Labels

Water stress
Green Weighting Factor

Scale of risk weighted assets adjustment

Brown deals receive a negative adjustment of up to 24% of weighted assets

Green deals receive a positive adjustment of up to 50% of weighted assets
Green Weighting Factor

Environmental and climate impact of Natixis’ CIB balance sheet

Natixis CIB’s balance sheet green/brown mix resulting from the impact analysis on 70% of the project’s scope (as of 23/09/2019)
- Next steps from 2021

• Determine the speed of transition of the balance sheet to reach <2°C target

• Set “color” mix objectives by business and for the CIB

• Set up an incentive mechanism

• Communicate annually on the progress made
OUR APPROACH FOR A BPCE / NATIXIS TRANSITION BOND
What reality for « Transition Bond »?

Still quite some confusion

- There is still no definition of Transition Bonds and a high level of confusion on what these self-labels cover. Current Transition bond self-labelling cover very diverse realities.

- Is Transition bond a stand alone instrument? Or should it be a « thematic » applied to various instruments? One could argue that Transition bonds can be UoP or KPI-linked, in theory.

**Need for a common definition of the notion of Transition**: the remit of ICMA GBP Climate Transition Finance working group

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<thead>
<tr>
<th>One of the key area for WG</th>
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<tr>
<td>Importance of issuer’s climate strategy and financing – reviewing the application of GBP Pillar 2 (Process for Project Evaluation and Selection). Consider what a climate strategy from an issuer would mean and how the consistency between the strategy and the corporate expenditures could be assessed/evidenced. This will include consideration of relevant transition pathways, metrics and existing references such as the Transition Pathway Initiative and Science Based Targets.</td>
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<table>
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<th>One of the key results of the consultation lead by the WG</th>
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<td>“The long term target for any debt finance for climate transition should be alignment with the goals of the Paris Agreement, and this target should be supported by disclosure on their decarbonisation pathway”</td>
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<table>
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<tr>
<td>Draft Climate Transition Finance Handbook</td>
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<tr>
<td><em>Provide clear guidance and common expectations on the recommended issuer-level disclosures necessary to credibly position the issuance of Use of Proceeds or Sustainability-Linked instruments for climate transition finance</em></td>
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Our approach for a BPCE transition bond private placement earmarking Natixis assets based on Natixis Green Weighting Factor (GWF)

Key highlights

- Transition financing instruments structuring do not draw consensus on the market, though there has been a few issuances.

- Consistency with BPCE strategy & Natixis climate & transition commitments

- Core tool used: Natixis CIB Green Weighting Factor, an innovative mechanism to actively manage its balance sheet’s climate impact and transition strategy
  
  ➢ a highly detailed sector-based methodology and database
  ➢ each financing transaction is assigned an environmental rating (color rating) initially derived from an assessment of its climate impact and transition profile
  ➢ Externally reviewed methodology (ongoing SPO from KPMG)
  ➢ Facilitating the definition of precise eligibility criteria (incl. the color rating cap) for each sector based on actionable transition levers to capture the sector transition contribution potential

  GWF as a tool to enable the identification of financed assets contributing to energy transition, to easily and rigorously select a portfolio of Natixis eligible transition assets to structure a Transition Bond

- Consistency with Natixis Green & Sustainable Hub has published an in-house Transition Analysis methodology (https://gsh.cib.natixis.com/transition-tightrope) defining what transition could be based on five potential transition levers: including greening of and greening by concepts
Our approach for a BPCE transition bond private placement earmarking Natixis assets based on Natixis Green Weighting Factor (GWF)

Use of proceeds

This Private placement is a Use-of Proceeds based approach where we select on Natixis CIB’s balance sheets loans that are considered contributing to the energy transition

Use-of Proceeds

The net proceeds of the bond will be used to finance or refinance, in whole or in part, eligible transition assets (the “Eligible Transition Assets”). Eligible Transition Assets are defined as project and/or corporate loans dedicated to investments contributing to energy transition

- included in the following sectors considered as relevant with the energy transition purpose: transport, power, oil & gas, mining & metals and building materials;
- selected on Natixis CIB’s balance sheets; and
- which met eligibility criteria for each sector based on actionable transition levers to capture the sector transition contribution potential.

- for corporate loans: limited to sustainability-linked loans with KPIs related to climate & energy transition (it being specified that the performance of the Notes will not be indexed on the performance of such KPIs)

Until full allocation of the net proceeds of the relevant issue of Transition Notes, the Issuer will disclose an allocation reporting to the Noteholders of such Transition Notes and, on a best efforts basis, elements of impact reporting.
Natixis Green & Sustainable Hub (GSH) Transition analysis framework

Identifying transition purpose based on key transition levers

For each sector, we are able to define precise eligibility criteria (incl. the color rating cap) covering the different actionable transition levers in order to capture the sector transition contribution potential while reducing the overall environmental footprint of its processes and products.

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<th>Outbound decarbonization “greening by”</th>
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<td>Low-carbon solutions</td>
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<tr>
<td>Diversify</td>
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<tr>
<td>Decarbonize</td>
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<tr>
<td>Offset</td>
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</tbody>
</table>

- **Quit/exit (pivotal shift)**: Change activity and/or business model by divesting or disengaging from some activities (e.g., coal), with two alternatives unequally beneficial for climate change: asset disposal/sale vs. assets decommissioning.
- **Diversify** Act on activity-mix by increasing the share of “pure” green ones (renewables), with different avenues: organic diversification, external growth (diversification through acquisitions) or spin-off.
- **Decarbonize** Decarbonize core and hard-to-abate activities’ GHG emissions, with greater efficiency, new process, technologies or raw materials/feedstocks changes. It involves dedicated investments in new assets/equipment, process reshuffling as well as dedicated R&D and often ad hoc HR/skills management.
- **Offset** Compensate your emissions with carbon dioxide removal solutions by deliberate human activities (e.g. Carbon Capture Sequestration, reforestation), in addition to the removal that would occur via natural carbon cycle processes.
- **Low-carbon solutions** Selling materials, products or services that enable the transition of other sectors or companies and help them to decarbonize (e.g., lithium mining company, wind turbines manufacturers, advanced biofuel producers for aviation).
Transition bond private placement - asset selection (project loan)
Example of the Metals & Mining sector

The metals & mining sector is considered as **eligible for transition purpose** considering that:

- **Decarbonize/diversify** - Metal industry is identified as a significant GHG intensive industry, and transition levers for reduction of carbon intensity are identified.

- **Greening by** - High contribution of mining & metals sector to energy transition because low carbon technologies are minerals and metals intensive (Electric Vehicles, Energy Storage, Power Generation, Clean Transportation)

![Diagram showing negative impacts at mining & processing phase and potential positive impacts at final use phase.](image)
Overview of GWF approach

Our methodology fully reflect the actionable transition levers for the sector, i.e. metals role in the energy transition (greening by) and carbon footprint of their production (decarbonize/diversify).

Transition bond private placement - asset selection (project loan)
Example of the Metals & Mining sector
Transition bond private placement - GWF-based asset selection for project loan

Example of the Metals & Mining sector

Suggested eligibility criteria for asset/loan selection

- **Look-back period limited to 2 years**
  - aligned with BPCE Sustainable Development Bond Program

- **Project loan financing**
  - excl. General corporate purpose, trade, swap, guarantees, etc.

- **Moderate carbon and environmental footprint**
  - Color rating capped to neutral

- **Metals contribution to low-carbon economy**
  - Share of materials used in low-carbon applications > 30%

**Mining & Metals Sector specific eligibility criteria for this “Transition Bond PPV”**

Selected materials, considering the average 2017-2040 of low carbon use in 2°C scenario:
aluminum, cobalt, copper, graphite, lithium, tellurium
Transition bond private placement - GWF-based asset selection for project loan
Example of the Power sector

Various solutions and levers in the power sector to reduce impact and accelerate transition

Power Generation
- Focus renewables in countries with carbon intensive electricity
- Advanced safety and waste management schemes for nuclear power plants
- Best available technologies for thermal power plants technologies
- Flexible capacities to balance renewable production (e.g. gas picking plant)

Power Transmission and Distribution
- Implementation of efficient grid technologies
  - Smart grids HVDC, FAST
- Enlarging access to grid electricity to populations relying on inefficient thermal energy
- Interconnectors providing renewables grid penetration
- Connecting renewables to the grid
Transition bond private placement - GWF-based asset selection for project loan
Example of the Power sector

<table>
<thead>
<tr>
<th>Rating for climate impact of assets</th>
<th>Bonus / Penalty for biodiversity &amp; water impacts</th>
<th>Bonus / Penalty for other impacts</th>
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<tr>
<td>E.g. asset type average impact, national grid carbon content, use of specific low carbon technologies</td>
<td>E.g. geographical exposure, mitigation measures, hydric stress risk</td>
<td>E.g. pollution/waste, social risk exposure, land use</td>
</tr>
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</table>

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<tr>
<th>Renewable generation</th>
<th>Nuclear generation</th>
<th>Oil &amp; Gas generation</th>
<th>T&amp;D</th>
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<tr>
<td><strong>Statistical average (asset type average impact)</strong></td>
<td><strong>Detailed questions (national grid carbon content)</strong></td>
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<tr>
<td><strong>Detailed questions (type of technology)</strong></td>
<td><strong>Detailed questions (type of technology, flexibility)</strong></td>
<td><strong>Detailed questions (type of technology, low carbon techno.)</strong></td>
<td><strong>Detailed questions (biodiversity)</strong></td>
</tr>
<tr>
<td><strong>Detailed questions (biodiversity)</strong></td>
<td><strong>Detailed questions (biodiversity &amp; water)</strong></td>
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<td><strong>Detailed questions (social exposure, waste, nuclear safety)</strong></td>
</tr>
<tr>
<td><strong>Detailed questions (social risk exposure for wind offshore and hydro, land use for organic biomass)</strong></td>
<td><strong>Detailed questions (social risk exposure)</strong></td>
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<td><strong>Detailed questions (social risk exposure for wind offshore and hydro, land use for organic biomass)</strong></td>
</tr>
</tbody>
</table>

Detailed questions (biodiversity & water)

E.g. geographical exposure, mitigation measures, hydric stress risk

E.g. pollution/waste, social risk exposure, land use

Detailed questions (social risk exposure for wind offshore and hydro, land use for organic biomass)
Transition bond private placement - GWF-based asset selection for project loan
Example of the Power sector

Suggested eligibility criteria for asset/loan selection

Look-back period limited to 2 years
aligned with BPCE Sustainable Development Bond Program

Project loan financing
excl. General corporate purpose, trade, swap, guarantees, etc

Selection of transition assets
Focus on gas thermal power plants and T&D assets

Moderate carbon and environmental footprint
Color rating capped to light green

Power Sector (Focus on Gas and T&D) specific eligibility criteria for this “Transition Bond PPV”

T&D assets: contributing to connection of renewable energy and/or to interconnection of countries with low carbon or strongly renewable based electricity generated, and potentially using low carbon technologies (efficiency)

Gas thermal power plants: supporting renewable penetration (gas picker) and/or equipped with performing technologies (efficiency or CO2 intensity) and/or CCUS
TRANSITION BOND PRIVATE PLACEMENT
SELECTED PORTFOLIO & REPORTING LEADS
## Transition bond private placement - Selected portfolio

<table>
<thead>
<tr>
<th>Sector</th>
<th>Project description</th>
<th>GWF Color Rating</th>
<th>Deal date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining &amp; metals</td>
<td>The Project is the second largest bauxite project in Guinea based on significant reserves ensuring 20 years of production. Located in a world class bauxite deposit, Guinea being the 3rd largest producing country (26% of the world reserves).</td>
<td>Light Green</td>
<td>March 2019</td>
</tr>
<tr>
<td>Mining &amp; metals</td>
<td>The Project is a copper mine based in Australia, where the processing plant has been refurbished and the production has been recommenced from underground</td>
<td>Medium Green</td>
<td>March 2020</td>
</tr>
<tr>
<td>Power</td>
<td>The Project is the construction and operation of underground transmission line connecting Montenegro and Italy laid across the Adriatic sea</td>
<td>Dark green</td>
<td>December 2019</td>
</tr>
<tr>
<td>Power</td>
<td>The project is the construction, operation and maintenance of an electricity transmission line and four associated substations in Northern Peru</td>
<td>Light green</td>
<td>September 2018</td>
</tr>
<tr>
<td>Corporate</td>
<td>Sustainability-linked loan (5-year sustainability-linked pre-export finance facility for USD 1,085,000,000) to an aluminum producer supporting, through a margin adjustment mechanism linked to KPIs, the company’s commitment to low carbon aluminum sale and the reduction of its production’s carbon and pollution intensities.</td>
<td>N/A</td>
<td>October 2019</td>
</tr>
</tbody>
</table>
## Transition bond private placement - Reporting leads

### Mining & metals projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bauxite project</strong></td>
<td>The project is covered by the Equator Principles and has therefore been assessed for compliance with IFC standards on environmental and social issues. Several Environmental and Social Impact Assessment had been carried out by external experts, as well as technical review led by lenders independent engineer. The project is compliant with local laws, regulations and permits. The main E&amp;S impacts are related to Biodiversity and Resettlement. Various management plans, complemented by a global E&amp;S Action plan.</td>
<td>Bauxite is the main basic mineral necessary to produce aluminium. Aluminum is considered as highly contributing to low carbon economy (enabler for low carbon technologies, such as electric vehicles, energy storage, power generation, clean transportation). 57% of aluminium produced is considered to be used in low-carbon applications*, considering an average 2017-2040 of low carbon use in 2°C scenario. In a recent study, the World Bank estimated aluminium demand to double in a 2-degree scenario when compared to a 4-degree scenario.</td>
</tr>
<tr>
<td><strong>Copper mine</strong></td>
<td>The project is covered by the Equator Principles and has therefore been assessed for compliance with IFC standards on environmental and social issues. The Environmental and Social Impact Assessment had been carried out by external experts, as well as technical review led by lenders independent engineer. The project is aligned with local regulation applicable to mining. The main E&amp;S impacts are related to biodiversity, HSE and rehabilitation plans. Appropriate rehabilitation programs and a new HSE organization has been implemented with a high-level action plan.</td>
<td>Copper is considered as highly contributing to low carbon economy (enabler for low carbon technologies, such as electric vehicles, energy storage, power generation, clean transportation). 43% of copper produced is considered to be used in low-carbon applications*, considering an average 2017-2040 of low carbon use in 2°C scenario.</td>
</tr>
</tbody>
</table>

*Sources: USGS 2018, SCORE LCA study 2019 (ongoing), I Care & Consult & Natixis analysis
### Transition bond private placement - Reporting leads

**Power T&D**

<table>
<thead>
<tr>
<th>Project</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interconnector</td>
<td>The project is covered by the Equator Principles and has therefore been assessed for compliance with IFC standards on environmental and social issues. A technical E&amp;S review has been led by lenders independent engineer. No EIA due to the project’s typology (a direct current underground cable) and its location (no protected areas involved, no areas with naturalistic value both at sea and on land). The project has already obtained the necessary permits and authorizations and has already substantially completed the construction, with completion expected in December 2019 and commissioning in 2020. Considering the main activities concern excavations works, the only environmental issue has been the management of archaeological risk, considered as properly managed. Project’s CO2 emission are overall less than 100,000 T equiv / year.</td>
<td>The project is interconnecting 2 countries, at least one of the countries interconnected has a high renewable growth in the electricity mix, with 13.9% points growth in share (2010-2015) and 22.5% of renewable share (excl. hydro). (Source: IEA Statistics)</td>
</tr>
<tr>
<td>Transmission line</td>
<td>The project is covered by the Equator Principles and has therefore been assessed for compliance with IFC standards on environmental and social issues. An Environmental Impact Assessment had been carried out by external experts, as well as technical review led by lenders independent engineer. The project is compliant with local laws, regulations and permits. The areas where the Project was implemented were found suitable, with compliance with IFC standards on environmental (only negligible effects on the environment, and minor logistics restrictions due to the geographical areas where the project is located) and social issues (including communities &amp; license to operate).</td>
<td>The project is interconnecting regions, where there is a medium renewable growth in the electricity mix, with 1.7% points growth in share (2010-2015) and 3.7% of renewable share (excl. hydro). (Source: IEA Statistics)</td>
</tr>
</tbody>
</table>
### Transition bond private placement - Reporting leads

#### Corporate

<table>
<thead>
<tr>
<th>Project</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability-linked loan for a leading global aluminium producer</td>
<td>The Company’s Risk Management Regulations and Guidelines for the Environmental Management System establish the approach to managing environmental risks, in accordance with the ISO 14001 standard and ASI compliance (Aluminum Sustainability Initiative). At borrower level, in 2019, the share of electricity bought from hydroelectric power plants for its smelters was above 95. In 2019 the carbon intensity produced for scope 1&amp;2 reached less than 2.5 tCO2e per ton of aluminum, at the very low end of industry practices.</td>
<td>Aluminum is considered as highly contributing to low carbon economy (enabler for low carbon technologies, such as electric vehicles, energy storage, power generation, clean transportation) 57% of aluminium produced is considered to be used in low-carbon applications*, considering an average 2017-2040 of low carbon use in 2°C scenario. In a recent study, the World Bank estimated aluminium demand to double in a 2-degree scenario when compared to a 4-degree scenario. The loan includes 3 KPIs in the adjustment margin mechanism.</td>
</tr>
</tbody>
</table>

*sources: USGS 2018, SCORE LCA study 2019 (ongoing), I Care & Consult & Natixis analysis
ANNEXES
SUSTAINABLE BOND PROGRAM
DESIGNING A POLICY FOR REGULAR ISSUANCE

RATIONALE FOR ISSUANCE

Sustainable Development meets the needs of the present without compromising the ability of future generations to meet their own needs.

As expressed in the Paris Agreement on Climate Change and the UN Sustainable Development Goals, there is need for private capital to help finance sustainable development objectives.

Our framework aligns with the core components of the Green and Social Bond Principles published by the ICMA and relies on clear concepts supporting repeat transactions, including:

METHODOLOGY

Based on external research and generally accepted principles (e.g. Green & Social Bond Principles, EU Taxonomy) ensuring transparency and common understanding of:

SCALABILITY

Dedicated issuance targets supporting regular issuance and repeat transactions. BPCE intends to issue 2 green or social bonds/year during the 2018/2020 strategic plan.

INNOVATION

Regarding eligible assets and impact metrics for future issuance.

GOVERNANCE

A Sustainable Bond Governance Committee has been formed to oversee the governance of issuance under the Program.
OUR FRAMEWORK INCLUDES GBP’s & SBP’s WITHIN OUR ISSUANCE POLICY...

Annual reporting on:
- **Allocations** by eligible project category and examples of loans refinanced
- **Environmental and/or social performance indicators** (outputs / impacts)
- **Assurance report** provided by the auditor

Eligible Loan Categories
1. **GREEN BOND**
2. **SOCIAL BONDS**
   - 2A/ Human Development
   - 2B/ Local Economic Development

USE OF PROCEEDS

REPORTING

A dedicated **methodology note** for each eligible category (eligibility criteria, ESG risk criteria and reporting indicators), subject to **second party opinion**

A **Sustainable Development Bond Governance Committee** to oversee the Program

1. **PROCESS** for PROJECT EVALUATION & SELECTION

2. **EXTERNAL REVIEW**

3. **MANAGEMENT OF PROCEEDS**

   - Green / Social Bond proceeds **not fungible** with any other source of wholesale funding
   - Pool of earmarked eligible loan **quarterly updated / screened** for potential changes
   - Lookback period of max 3 years

4. **REPORTING**

   - Allocations by eligible project category and examples of loans refinanced
   - Environmental and/or social performance indicators (outputs / impacts)
   - Assurance report provided by the auditor
... AND DEFINES CLEAR SUB-CATEGORIES FOR OUR SUSTAINABLE ISSUANCE

4 categories are actionable for bond issuance

**ENVIRONMENTAL DEVELOPMENT**
Focused on environmental sustainability and creating a positive contribution to the reduction of climate change and other environmental challenges

- Renewable Energy
- Energy Efficiency
- Green Buildings
- Clean Transportation
- Sustainable Water Management
- Sustainable Waste Management
- Sustainable Agriculture & Fishery
- Biodiversity conservation

**HUMAN DEVELOPMENT**
Addressing social sustainability challenges through contributions key to human development

- Healthcare & Education
- Social Housing
- Social Inclusion

**LOCAL ECONOMIC DEVELOPMENT**
Supporting regional and community development

- Employment Conservation and Creation in economically or socially underprivileged areas
- Affordable Basic Infrastructure
## OUR ACHIEVEMENTS SO FAR & AWARDS

### GREEN BONDS
- Inaugural Green bond in December 2015: **€300m**
- Benchmark Green bond in November 2019: **€500m**
- Green Covered Bond SFH in May 2020: **€1.25bn**
- Additional private placements amounting to **€570m**

### SOCIAL BONDS
- 6 public issues for Human and Local economic development of which 5 in a Samurai format. **€1.7bn** equivalent cumulative of senior non-preferred and **€1.7bn** of senior preferred.
- 3 Human Development issues cumulating **€ eq.1.48bn**
- 3 Local Economic Development issues cumulating **€ eq.1.91bn**

### AWARDS
- Deal of the Year for Healthcare Bonds
  - *mti*
  - September 7, 2017
- Best Sustainability Bond in 2017
  - *emeafinance*
  - March 25, 2018
- Best Green / SRI Deal in 2020
  - *Global Capital*
  - May, 2020
- Most innovative Investment Bank for climate change & sustainability
  - Natixis named #1 best credit research Green Bonds ESG
  - *The Banker Investment Banking Awards 2018*

### Natixis
1. Source: Euromoney, Fixed income Survey 2018

All Groupe BPCE’s entities participate in the sustainable issuance program.

Natixis named #1 best credit research Green Bonds ESG

### Additional Private Placements
- 2 additional private placements: $50m for healthcare and ¥3bn for local economic development.
- 6 public issues for Human and Local economic development of which 5 in a Samurai format. **€1.7bn** equivalent cumulative of senior non-preferred and **€1.7bn** of senior preferred.

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<table>
<thead>
<tr>
<th>Award</th>
<th>Year</th>
<th>Category</th>
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<tr>
<td>Deal of the Year for Healthcare Bonds</td>
<td>2017</td>
<td><em>mti</em></td>
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<td><em>emeafinance</em></td>
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<td>2018</td>
<td>Natixis</td>
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</table>
## OUR ACHIEVEMENTS SO FAR & AWARDS

**€5.5bn issued by BPCE SA since 2015 in both green and social bonds**

3 green bond issues for Renewable Energies and Green Buildings in € amounting to €2.05bn

8 social bond issues for Human and Local Economic Development in Yen, € and $ amounting to €3.46bn equiv., o/w 5 in Samurai format in Yen amounting to €2.14bn equiv.

### 2015

**GREEN BONDS: €300m**
- Assets of BPCE Energies: wind & solar power, biomass in France
- 1 € issue

### 2017

**GREEN BONDS: €512m equiv.**
- Assets of BPs and CEs
- Lookback period of 3 years
- Education & Healthcare
- 4 Yen issues & 1 USD issue

### 2018

**GREEN BONDS: €300m**
- Assets of BPs, CEs, BPCE Energies: wind & solar power, biomass in France & abroad
- 2 Yen issues

**GREEN COVERED BONDS: €1.25bn**
- Methodology Note: Green Buildings
- Assets of BPs and CEs
- Lookback period of 3 years
- Financing or refinancing of loans for the construction of energy-efficient dwellings

**SOCIAL BONDS: €1.02bn equiv.**
- Assets of BPs and CEs
- Local Economic Development
- 1 € issue & 2 Yen issues

### 2019

**GREEN COVERED BONDS: €500m**
- Methodology Note: Renewable Energies
- Assets of BPs, CEs, BPCE Energies: wind & solar power, biomass in France and abroad
- 1 issue

**SOCIAL BONDS: €1.68bn equiv.**
- Methodology Note: Local Economic Development
- 1 € issue and 1 Yen issue

### 2020

**GREEN COVERED BONDS: €1.25bn**
- Methodology Note: Green Buildings
- Assets of BPs and CEs
- Lookback period of 3 years
- Financing or refinancing of loans for the construction of energy-efficient dwellings

**SOCIAL BONDS: €0.25bn equiv.**
- Methodology Note: Local Economic Development with a Covid-19 focus
- Part of State-guaranteed loans (without dedicated funding) meeting Local Economic Development eligibility criteria
- 1 € issue and 1 Yen issue