



# Group BPCE: Sustainable Development Bond Program

*Methodology Note for Sustainable bonds / Sustainable Agriculture eligible category*

- 01 BPCE Sustainable Development Bond Framework
- 02 Sustainable Agriculture Methodology
- 03 Appendices

# |01

## **BPCE Sustainable Development Bond Framework**

# BPCE Sustainable Development Bond Framework

## *Addressing key components of sustainability*

BPCE's Sustainable Development Bond Framework is a two-pillar strategy that targets environmental and social financings to ensure long-term sustainability

### Green Bonds

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
- Biodiversity conservation

### Social Bonds

#### **Human Development**

Addressing social sustainability challenges through contributions deemed key to human development:

- Healthcare
- Education
- Social Housing
- Social Inclusion

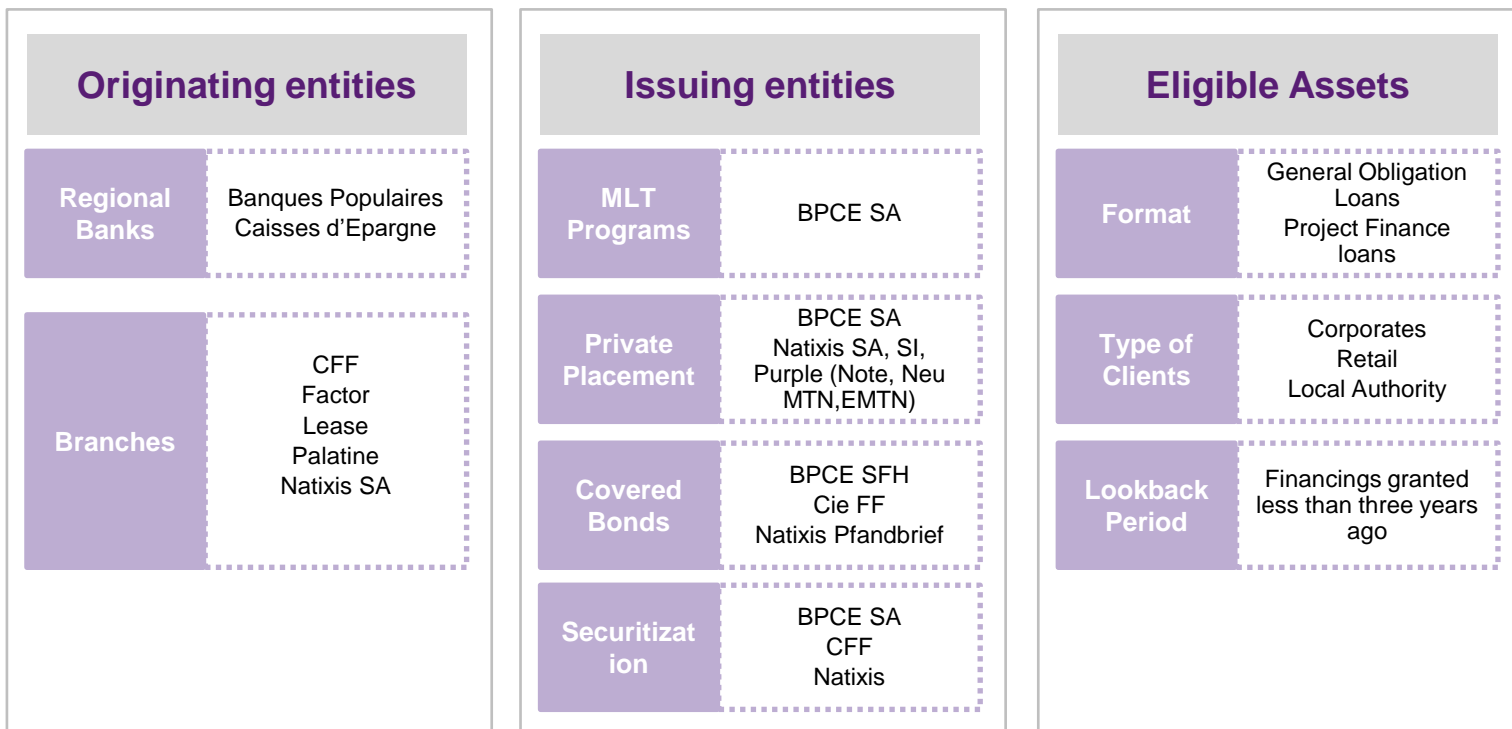
#### **Local Economic Development**

Supporting regional and community development

- Employment conservation and creation in economically or socially underprivileged areas
- Affordable basic infrastructure

# BPCE Sustainable Development Bond Framework

*Scope of the program: BPCE's Sustainable Development Bond Framework encompasses the main entities of the group and all issuing signatures, for defined types of assets*



# BPCE Sustainable Development Bond Framework

## GBP & SBP Compliance

The Sustainable Development Bond Framework is aligned with the recommendation of the ICMA (Green & Social Bond Principles)

Use of Proceeds	
<b>GREEN</b>	<b>SOCIAL</b>
<ul style="list-style-type: none"><li>➤ Renewable Energy</li><li>➤ Energy Efficiency</li><li>➤ Green buildings</li><li>➤ Clean transportation</li><li>➤ Sustainable Water management</li><li>➤ Sustainable Waste Management</li><li>➤ Biodiversity Conservation</li><li>➤ Sustainable Agriculture</li></ul>	<ul style="list-style-type: none"><li>➤ Human Development</li><li>➤ Healthcare</li><li>➤ Education</li><li>➤ Social Housing</li><li>➤ Social development</li><li>➤ Local Economic development</li><li>➤ Employment conservation &amp; creation</li><li>➤ Affordable basic infrastructure</li></ul>

Selection process & Project Evaluation
<ul style="list-style-type: none"><li>➤ For each eligible category, a methodology note defines specific eligibility criteria, including ESG selection criteria and reporting indicators,</li><li>➤ A Sustainable Development Bond Governance Committee oversees both the methodologies and actual implementation of both framework and methodology notes</li><li>➤ Framework and methodology notes, including any substantial change to any, will be subject to the prior review by the provider of a second party opinion.</li></ul>



Management of Proceeds
<ul style="list-style-type: none"><li>➤ Net bond proceeds will be granted to Groupe BPCE's regional banks or subsidiaries, by way of inter-company loans when necessary</li><li>➤ Green and social Bond proceeds will not be fungible with any other source of wholesale funding,</li><li>➤ Lookback period of max 3 years,</li><li>➤ Pending allocation or reallocation, proceeds (swapped into euros if the bonds are not issued in euros) will be invested in cash or equivalents,</li><li>➤ At least once a year, earmarked eligible assets within the pool will be updated / screened for potential changes in eligibility status.</li></ul>

Reporting
<p><b>Once a year, as long as Green Bonds or Social Bonds are outstanding, BPCE will publish reports on:</b></p> <ul style="list-style-type: none"><li>➤ <b>Allocations</b> by eligible project category and for each bond issue some examples of loans refinanced,</li><li>➤ <b>Yet to be allocated amount</b> of cash or cash equivalents;</li><li>➤ <b>Relevant environmental and/or social key performance indicators</b> (outputs / impacts),</li><li>➤ <b>Assurance report</b> provided by BPCE auditor on the compliance, in all material respects, of (i) the eligible loans with the selection criteria, and (ii) the pending cash allocation.</li></ul>

# BPCE Sustainable Development Bond Framework

## *Dedicated governance*

Group BPCE has established a dedicated Governance (and ad-hoc comitology\*) to monitor its Sustainable Development Bond Program

### Sustainable Development Bond Governance Committee

Joint sponsorship of Groupe BPCE's CFO and Head of Environmental, Social, and Governance (ESG) with participation from ESG, business development and finance teams of the Group regional banks and Natixis, Head of MLT Funding & Investor relations, Head of Asset and Liability Management (ALM), Head of Portfolio Management and external ESG experts

#### Strategy & Supervision

Issuance targets and follow-up of deliveries, Framework, methodology notes and reporting review and approval, Supervision of the governance and process for eligible asset pool evaluation and selection, Deal reviews and enforcement of lessons learnt

#### Innovation

Steering Groupe BPCE group's entities sustainable product (loans) innovation process, including how to embed impact and eligibility criteria in product characteristics  
Definition of new issuance types

#### Dialogue and engagement

Market practice review and dialogue with external stakeholders  
Support of business initiatives and dialogue with clients

*\*Ad-hoc dedicated committees may be created within the financing entities to identify eligible assets, apply exclusion criteria, monitor the eligible asset pool and produce ad-hoc reporting at issuance and/or batch of issuance levels*

# |02

## Sustainable Agriculture Methodology



# The agricultural market in France

Europe's leading agricultural market undergoing far-reaching change

French agriculture recognized as the "world's most sustainable model" for the 3<sup>rd</sup> year in succession by the British newspaper *The Economist*



A major market both in Europe and in France...

## No.1

Agricultural producer in Europe



17%	13%	13%
€70.3bn	€53.4bn	€52.9bn

## No.1

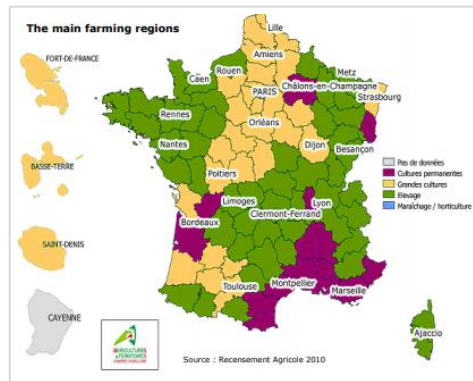
Cattle population in the European Union

## 6.7%

Of French GDP

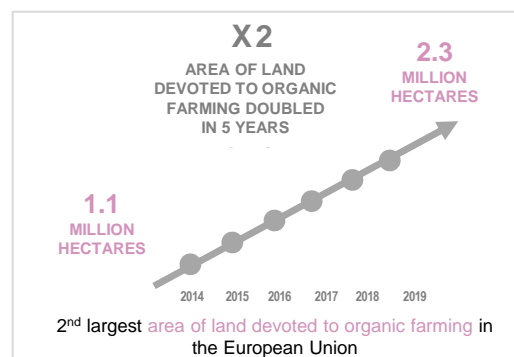
## 51%

Of the country's total surface is arable land



... confronted with major economic, social and environmental challenges

Transformation of production and consumption behaviors



Transformation of agricultural workers

## 50%

of farmers are over 50 years of age, and the question of transmission and retirement is a major concern.

In 2019, the number of young farm managers (under the age of 40) declined by 4.4%

Direct sales

## 22%

Within 5 years, it will represent 22% of agricultural activities



Diversification of activities and increasingly significant actions in favor of the environment

Production of energy

## x2

Within 5 years, this production will be doubled



# Farming in the Banques Populaires retail banking network

*Support this market as it undergoes far-reaching changes*



**No.3**  
Player nationwide

**20.2%**

Market penetration rate

**101,126**

customers

**€8.7bn**

Loan outstandings

**€4.9bn**

Deposits & savings

A strategy centered around the major environmental, societal & economic challenges facing the farming industry

**Support the ongoing transformation process towards sustainable agriculture,**  
help adapt to climate change, support healthy food production, and work to preserve resources and the environment

**Contribute to the development of the local & regional economy,**  
help to ensure that France regains high-quality food sovereignty, and participate in the preservation of resources

**Support agricultural entrepreneurship,**  
strengthen the financial resilience of individual farms, support the change of scale towards SMEs, ensure the diversity of actors at a local and regional level, and enhance the momentum driving the renewal of generations

# Main principles and definition of Sustainable Agriculture

*BPCE's definition of sustainable agriculture is based on FAO, including all sustainable development dimensions*



## Key concepts

- Sustainable agriculture must nurture healthy ecosystems and support the sustainable management of land, water and natural resources, while ensuring world food security
- To be sustainable, agriculture must meet the needs of present and future generations for its products and services, while ensuring profitability, environmental health and social and economic equity
- The global transition to sustainable food and agriculture will require major improvements in the efficiency of resource use, in environmental protection and in systems resilience.

## What needs to be done?

Five key principles for guiding the strategic development of new approaches and the transition to sustainability:

**Principle 1:** Improving efficiency in the use of resources is crucial to sustainable agriculture

**Principle 2:** Sustainability requires direct action to **conserve, protect and enhance natural resources**

**Principle 3:** Agriculture that fails to protect and improve **rural livelihoods and social well-being** is unsustainable

**Principle 4:** Sustainable agriculture must enhance the **resilience** of people, communities and ecosystems, **especially to climate change** and market volatility

**Principle 5:** Good **governance** is essential for the sustainability of both the natural and human systems

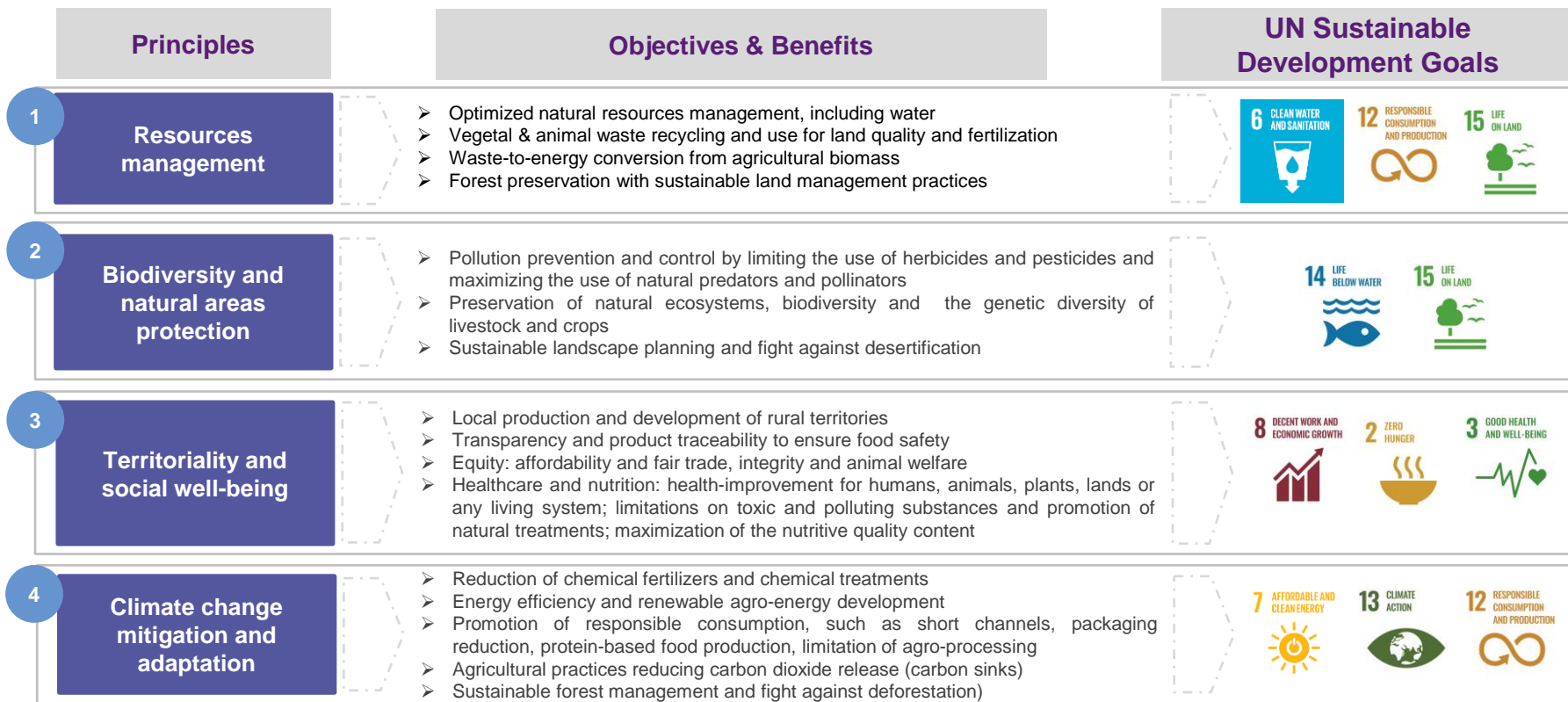
*In order to cope with the rapid pace of change and increased uncertainty, sustainability must be seen as a process, rather than a singularly defined end point to be achieved. This, in turn, requires the development of technical, policy, governance and **financing frameworks that support agricultural producers and resource managers engaged in a dynamic process of innovation***

<http://www.fao.org/sustainable-development-goals/overview/fao-and-the-post-2015-development-agenda/sustainable-agriculture/en/>

# Main principles and definition of Sustainable Agriculture



*BPCE's financial services address both green and social objectives, with a contribution to the UN Sustainable Development Goals*



# Sustainable Agriculture - 1. Use of proceeds

*Eligible Assets must be aligned with at least one of the following eligibility criteria:*



## Eligible project categories

## Definitions and eligibility criteria

## Objectives

## Contribution to principles

### Organic agriculture

- Loans granted to farms certified in compliance with the EU & national organic farming regulation, such as the “*Agriculture biologique*” “*BioCohérence*” and “*Demeter*” labels
- Investments dedicated to specific equipment and/or R&D to support the development of organic agriculture and related inputs
- Loans granted to pure player corporates\* in organic agribusiness activities

Reduction of agricultural inputs and use of environmentally friendly agro-processing modes

- Pollution prevention and control
- Biodiversity and natural areas protection
- Health and nutrition for farmers and final consumers

2

3

### Environmental protection in farms

- Loans granted to farms certified with the 'High Environmental Value' national label (Haute Valeur Environnementale)
- Loans granted to farms receiving premiums from the European Common Agricultural Policy (PAC 2018 – II.4, PAC 2018 – IV.A.16 & PAC 2018 – IV/A.24 & IV/A.4, PAC 2018 – IV.A.15 & PAC 2018 – II.4), with Good Agricultural and Environmental Conditions (GAEC) as statutory management requirements
- Loans granted to farms certified with the Agriconfiance label

Development and/or adoption of sustainable production practices

- Pollution prevention and control
- Biodiversity and natural areas protection
- Resource management (water)
- Climate change mitigation
- Health and nutrition for farmers and final consumers

1

2

3

4

# Sustainable Agriculture - 1. Use of proceeds

*Eligible Assets must be aligned with at least one of the following eligibility criteria:*



Eligible project categories	Definitions and eligibility criteria	Objectives	Contribution to principles
Forest and protected areas	<ul style="list-style-type: none"><li>• Sustainable forestry - included afforestation or reforestation – FSC or PEFC certified or equivalent</li><li>• Loans granted to protected areas operators (such as natural parks' operators)</li><li>• Preservation or restoration of natural landscapes, soil remediation and coastal, marine and water environment</li></ul>	<p>Development and/or adoption of sustainable production practices</p> <ul style="list-style-type: none"><li>• Biodiversity and natural areas protection</li><li>• Climate change mitigation</li></ul>	<p>1 2 4</p>
Renewable energy	<ul style="list-style-type: none"><li>• Loans or investments to promote use of renewable energy technology in the agriculture sector, such as solar panels, biomass (methanization) – <i>selected in compliance with the renewable energy methodology note</i></li></ul>	<p>Reduction/Avoidance of GHG emissions via renewable energy production</p> <ul style="list-style-type: none"><li>• Climate change mitigation</li></ul>	<p>4</p>

# Sustainable Agriculture - 2. Process for selection and evaluation

*Group BPCE will select Sustainable Agriculture loans thanks to a specific methodology and selection workflow*



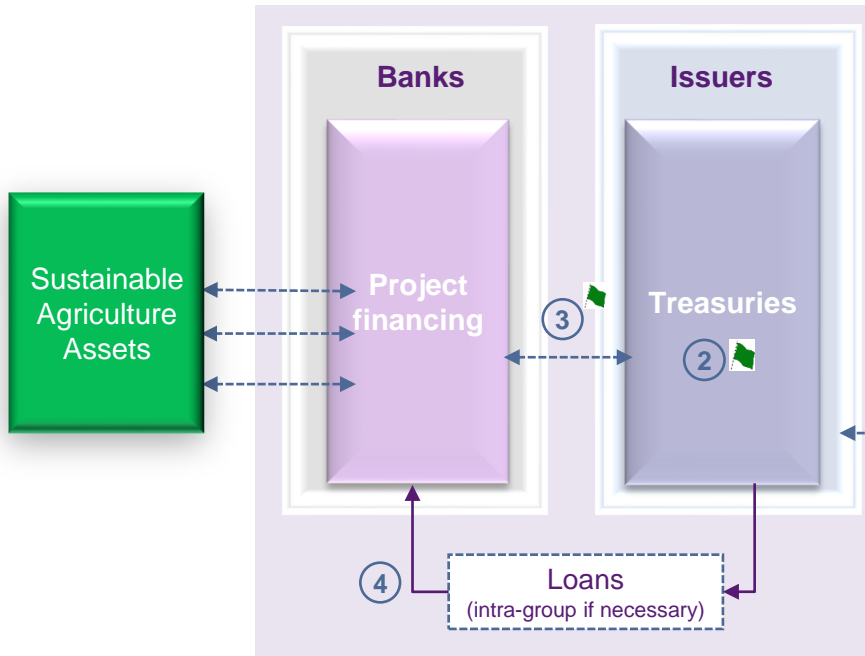
## Loan pipeline

- |  |  |
|--|--|
| <b>Lookback period</b>                       | <ul style="list-style-type: none"><li>➤ Loans granted no more than 36 months prior to a green bond issuance</li></ul>  |
| <b>Eligibility criteria</b>                  | <ul style="list-style-type: none"><li>➤ Loans granted by the Banques Populaires Network</li><li>➤ Loans dedicated to Eligible clients (eligible NACE code &amp; juridical category)</li><li>➤ Loans dedicated to farms achieving at least one of the dedicated sustainable agriculture eligibility criteria</li></ul>  |
| <b>Exclusion</b>                             | <ul style="list-style-type: none"><li>➤ Dedicated financings backed by dedicated resources</li><li>➤ Specific agricultural activities such as tobacco, alcohol, sugar cane, ... (list of excluded NACE code)</li></ul>   |
| <b>'Do no harm' sustainability objective</b> | <ul style="list-style-type: none"><li>➤ Environmental regulation applicable to sustainable agriculture including environmental impact mitigation: biodiversity, pesticides utilization, land preservation</li><li>➤ Client risk assessment (based on KYC and LAB internal processes) including business practices' review: money laundering, corruption, conflict of interest, over indebtedness</li><li>➤ ESG controversies check (sector, client, project) at project approval and / or legal authorization including local impact mitigation &amp; Stakeholders' engagement and consultation, ESG due diligence process and labor and human rights conformity and social requirements</li></ul> |

**Eligible pool of loans validated by the Committee**

# Sustainable Agriculture - 3. Management of Proceeds

*Groupe BPCE will implement dedicated processes to ensure tracking and transparency*



The Committee (via the Portfolio Management & Financial Engineering function) ensures the adequate monitoring of the evolution of the Green Portfolio on a quarterly basis and verifies that the issued amount remains significantly lower than the nominal of the green portfolio

- 1 Sustainable bond investors
- 2
  - Sustainable bond issuance done by BPCE SA, Natixis, Special Purpose Vehicles, BPCE SFH or Compagnie de Financement Foncier, ISIN tagged as sustainable
  - Treasury collects net proceeds in order to finance or refinance sustainable assets
  - Introduction of a sustainable flag in treasury systems for eligible facilities and matched with the ISINs of sustainable issuances
- 3
  - Net proceeds are allocated to existing, ongoing or future eligible sustainable assets
  - Sustainable proceeds audit trail
- 4
  - The treasury department\* will proceed to intra-group loans equal to the issued amount from the main body to originating entities on a pro-rata basis of the eligible assets provided.

\*Specific arrangements are set up case the issuer consists of a Special Purpose Vehicle or a Covered Bond



# Sustainable Agriculture - 4. Reporting

*Two levels of reporting: Group BPCE will publish an annual Allocation and Impact Report presented on a portfolio basis*



## Eligible Pool of Loans

<b>Allocation Reporting</b>	<ul style="list-style-type: none"> <li>▪ Number and amount of loans granted</li> <li>▪ Allocation by geography (%)</li> <li>▪ Share of proceeds allocated to financing vs refinancing (%)</li> </ul>											
<b>Output &amp; impact Reporting</b>	<p>During the life of the bond, completion of a study among our farmer customers who benefited from Banques Populaires financing in order to communicate on the contribution of these financings to the improvement of the practices in favor of sustainable agriculture:</p> <table border="1" data-bbox="421 609 1773 930"> <thead> <tr> <th data-bbox="421 609 730 674">Activities</th> <th data-bbox="736 609 1039 674">Output</th> <th data-bbox="1045 609 1367 674">Outcome</th> <th data-bbox="1373 609 1773 674">Impact</th> </tr> </thead> <tbody> <tr> <td data-bbox="421 678 730 930"> <b>Description of the customer portfolio</b>                      Notably:                      Type of crop                      Size of the farm                      Profile of the farmer                      Labels, CAP premiums                 </td> <td data-bbox="736 678 1039 930"> <b>What were the funds used for?</b>                      For example:                      Acquisition of equipment                      Expansion of the farm                      Development work                      Planting of hedges                 </td> <td data-bbox="1045 678 1367 930"> <b>What are the direct impacts of the investments made?</b>                      For example:                      Reduction in the use of pesticides / herbicides                      Reduction in water consumption                      Reduction of GHG emissions                 </td> <td data-bbox="1373 678 1773 930"> <b>What are the global impacts in the medium to long term?</b>                      For example:  <ul style="list-style-type: none"> <li>▪ Increase in the number of pollinating insects</li> <li>▪ Improved health of farmers</li> <li>▪ Replenishment of water tables</li> <li>▪ Mitigation of climate change</li> </ul> </td> </tr> </tbody> </table> <p><i>Impact Indicators will be provided on a case-by-case basis depending on the availability data and statistical (where sufficient reliable data exists)</i></p>				Activities	Output	Outcome	Impact	<b>Description of the customer portfolio</b> Notably: Type of crop Size of the farm Profile of the farmer Labels, CAP premiums	<b>What were the funds used for?</b> For example: Acquisition of equipment Expansion of the farm Development work Planting of hedges	<b>What are the direct impacts of the investments made?</b> For example: Reduction in the use of pesticides / herbicides Reduction in water consumption Reduction of GHG emissions	<b>What are the global impacts in the medium to long term?</b> For example: <ul style="list-style-type: none"> <li>▪ Increase in the number of pollinating insects</li> <li>▪ Improved health of farmers</li> <li>▪ Replenishment of water tables</li> <li>▪ Mitigation of climate change</li> </ul>
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# Sustainable Agriculture - 5. External Review

*Second party Opinion at methodology note level: ISS has issued a Second Party Opinion on the Sustainable Agriculture methodology note in July 2021*

## ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION
<p><b>Part 1:</b></p> <p>Methodology Note link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Corporate Rating published on 26.02.2021, the issuer shows a high sustainability performance against the industry peer group on key ESG issues faced by the Commercial Banks &amp; Capital Markets sector. The issuer is rated 12<sup>th</sup> out of 287 companies within its sector.</p> <p>The Use of Proceeds categories described in this Methodology Note are consistent with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing Green Bonds to finance Sustainable Agriculture projects is clearly described by the issuer.</p>	<p>Consistent with issuer's sustainability strategy</p>
<p><b>Part 2:</b></p> <p>Alignment with GBPs</p>	<p>The group has defined a formal concept for its Sustainable Development Bond Programme regarding Use of Proceeds, processes for project evaluation and selection, management of proceeds and reporting. For each eligible category included in the Sustainable Development Bond Programme, the issuer provided a methodology note defining specific eligibility criteria. This methodology note assessed by ISS ESG aims at providing a detailed definition of Sustainable Agriculture eligible category. The content of this methodology note is in line with the GBPs.</p>	<p>Aligned</p>
<p><b>Part 3:</b></p> <p>Sustainability quality of the eligible category</p>	<p>The overall sustainability quality of the Sustainable Agriculture eligible category in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green Bonds will (re-)finance eligible asset categories which include: Organic agriculture, Environmental protection in farms and Forest and protected areas.</p> <p>Overall, most of the Use of Proceeds categories positively contribute to SDGs 2 'zero hunger', 14 'Life below water' and 15 'Life on land'. The environmental and social risks associated with those Use of Proceeds categories have been well managed.</p>	<p>Positive</p>



# | 03

## Appendices

# Sustainable Agriculture Appendix

## Labels: definition and criteria (1/3)



	 <b>Organic agriculture</b>	 <b>BioCohérence (Bio Coherence)</b>
<b>Description</b>	Agricultural production method that combines optimal environmental practices, respect for biodiversity and preservation of natural resources.	This label, launched by the National Federation of Organic Agriculture, is more demanding than current European organic regulations. Derived from a strict approach following the European Union's harmonization of the AB label with the European Ecolabel, it demonstrates a commitment by the producer in favor of the consumer regarding a form of organic agriculture that is respectful of environmental, social and economic equilibrium.
<b>Managers &amp; procedures</b>	Throughout the entire industrial process, the operators involved in this method of production comply with specifications that favor processes respectful of the ecosystem and the animals.	An external, independent and impartial control of the commitment of producers and processing companies: the respect of the Bio Coherence production and processing specifications is verified every year. After the first year of membership, the organic certification body chosen by the member is responsible for the annual European inspection. This is an accredited body for the control of European organic production and processing rules. This accreditation is issued by the public authorities, according to rules of independence, competence and impartiality. All inspection bodies use the same inspection form.
<b>Criteria</b>	Compliance with a set of specifications that favors processes respectful of the ecosystem and animals. It is also a method of production that excludes the use of GMOs (banned in France in the cultivation of fruit and vegetables) and limits the use of inputs, giving priority to the use of natural and renewable resources within the framework of agricultural systems organized on a local scale.	<p>100% organic farms (or farms in the process conversion): the mixing of organic and non-organic products is forbidden.</p> <p>Limits on the size of the farms</p> <p>Criteria on animal welfare: supervision of transport and slaughter conditions, adapted living quarters, etc.</p> <p>No off-season crops, prohibition of heated greenhouses</p> <p>Distribution of Bio Coherence products locally, via Direct Sales or in specialized organic stores</p> <p>Produced and processed in France</p> <p>Ban on genetically modified seeds (GMO - CMS)</p> <p>Social: ban on the use of seconded workers</p>
<b>Applies to production in its entirety</b>	✓	✓

# Sustainable Agriculture Appendix

## Labels: definition and criteria (2/3)



### Demeter

### High Environmental Value

<b>Description</b>	<p>The primary goal of this organic label is not only to ban the use of chemicals in agriculture, but also to involve farmers actively in improving the quality of their soil for higher quality products. 90% of the processed products must be Demeter certified. The remaining 10% must be certified organic.</p>	<p>Certifies that the product comes from a certified farm of "High Environmental Value" in which agro-ecology is used. The label encourages the reduction of pesticides, fertilizers, antibiotics or irrigation water consumption while ensuring that the farm has hedges, grassy strips, trees, flowers, insects ... that make it possible to promote biodiversity</p>
<b>Managers &amp; procedures</b>	<p>Demeter is an international organization and has been a registered trademark since 1932 that labels agricultural productions compliant with the rules of organic and biodynamic agriculture. Each national Demeter branch has a team of professional certifiers who verify that the practices in the field comply with Demeter specifications. The specifications commission, composed of biodynamic professionals, is called upon if a case requires it.</p>	<p>It is subject to national regulations. In order to retain this label, farms are audited at least once every eighteen months by a certification body.</p>
<b>Criteria</b>	<p>Only farms and businesses that are already certified as organic - cf. EU regulations 834/2007 and 889/2008 or equivalent for other countries - are eligible for Demeter certification. The Demeter specifications for agricultural production (field crops, livestock, market gardening, vineyards, arboriculture, etc.) and for processing (bread-making, juice, wine, cheese, etc.) are more demanding than those for organic farming.</p> <p>A reliable control and certification system verifies annually compliance with our specifications. The traceability of Demeter products is ensured by the control and certification of all the actors in the chain, from the farmer to the distributor.</p> <p>A conversion period to Demeter is mandatory for conventional or organic farms wishing to move towards Demeter certification.</p>	<p>The HEV specifications impose the use of two main indicators:</p> <p>First, a maximum share of 30% of inputs in the farm's turnover.</p> <p>Second, a minimum of 10% of the agricultural surfaces composed of landscape elements welcoming biodiversity (hedges, ponds, grass strips...).</p> <p>It is based on four priorities:</p> <ul style="list-style-type: none"> <li>- the preservation of biodiversity (insects, trees, hedges, grass strips, flowers ...),</li> <li>- the plant health strategy,</li> <li>- fertilization management,</li> <li>- water resource management.</li> </ul>
<b>Applies to production in its entirety</b>	✓	✓

# Sustainable Agriculture Appendix

## Labels: definition and criteria (3/3)



Agri Confiance



### Description

"Choosing Agri Confiance is the guarantee that you consume products that are good for the planet and respectful of the producers. With Agri Confiance, become a Consom'Acteur (Consumer Actor) involved in responsible and sustainable agriculture at every level."

### Managers & procedures

These standards are certified annually by independent certification bodies accredited by COFRAC (Bureau Véritas, Afnor and SGS).  
The approach is based on the implementation of Afnor NF V01-005 and NF V01-007 standards: quality management system and quality and environment management system.

### Criteria

- Four pillars of commitment:
- Guaranteed quality (French origin, certified traceability and quality, controlled food safety, transparency of practices)
  - Preservation of the environment (Limitation of inputs, Biodiversity, Preservation of soil, Preservation of water resources)
  - Supporting farmers and territories (Solidarity and equity: cooperative model, local employment and economy of territories, societal commitment)
  - Favoring an approach to animal welfare (Supervised breeding conditions, Reduction of antibiotics, GMO-free feed (< 0.9%), Favoring free-range farming)

Applies to production in its entirety



# Sustainable Agriculture Appendix

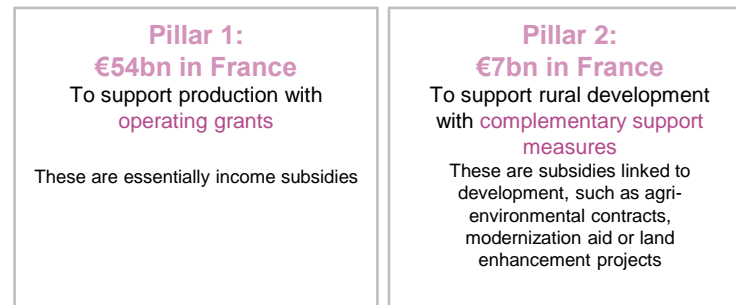
## CAP: Common policy of the world's leading agricultural power



The European Union is the world's leading agricultural power and defines a **Common Agricultural Policy** between its 27 member states to which it allocates between 35 and 45% of its European budget, i.e. between 350 and 450 billion euros per program.

The objectives of the CAP are to **ensure food security** for the European population, at affordable prices, while **providing farmers with a living wage** (Pillar 1 in particular) and integrating the principles of **environmental protection** and **rural development** (Pillar 2).

### Deux piliers



On average, CAP support represents

**46%**

of the income of European Union farmers

Without these grants,

**50%**

of French farms would record negative pre-tax net income

Ten measures covering grants paid to farmers each constitute an eligibility criterion in our methodological note (see pages 24 and 25)

**Within the framework of the new European programming, the CAP reinforces its green dimension and introduces the new set of requirements**

# Sustainable Agriculture Appendix

## CAP: a review within the framework of the European "green deal"



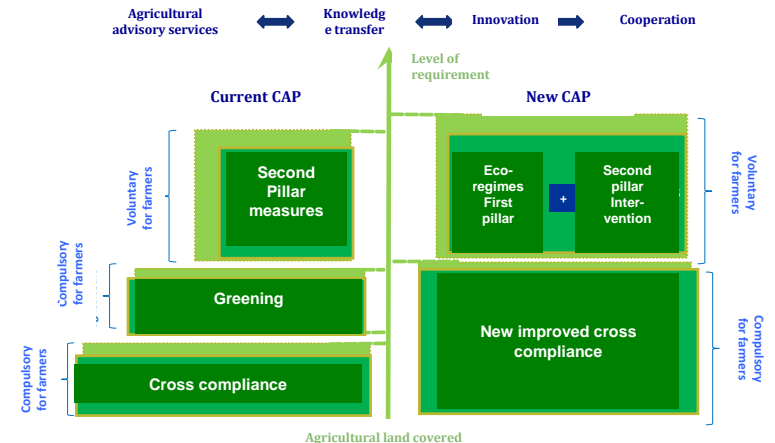
The new CAP strategy is part of the European "Green deal\*" and has been developed in the new European programming applicable for the next 7 years.

The agricultural strategy called "Farm to fork" will be implemented on January 1, 2023 (postponed due to the COVID-19 health crisis) with regulatory continuity in 2021 and 2022 (transition years)

It sets out a **new cross-compliance requirement** for all payments to the sector: basic environmental, climate change, public health, animal health, plant health and animal welfare standards (GAEC and SMR).

It also integrates into Pillar 1 "eco-regimes", ecological programs for the climate and the environment.

Environment & climate GAEC standards (Good Agricultural and Environmental Condition of the land)	Public, animal & plant health SMR (Regulatory Management Requirements)	Animal Welfare ERMG (Regulatory Management Requirements)
<ul style="list-style-type: none"> <li>✓ Birds and Habitats Directives</li> <li>✓ Water Framework Directive</li> <li>✓ Nitrates Directive</li> </ul>	<ul style="list-style-type: none"> <li>✓ Animal identification and registration</li> <li>✓ Pesticide Marketing Regulations</li> <li>✓ Directive on the use of pesticides consistent with sustainable development</li> <li>✓ Directive on the prohibition of the use of hormones</li> <li>✓ General food legislation</li> <li>✓ Notification of animal diseases</li> </ul>	<p>Guidelines for the protection of calves, pigs and animals on farms</p>





# Sustainable Agriculture Appendix

## CAP: grants paid as eligibility criteria (1/2)



CAP - IV/A.16 - Aid for organic farming	This measure focuses on supporting the transition to or maintenance of <b>organic farming</b> to encourage farmers to participate in these schemes and thereby meet society's demand for environmentally friendly farming practices
CAP - IV/A.15 - Agri-environment-climate support	This measure encourages land managers to implement agricultural production practices that contribute to the <b>protection of the environment, landscapes and natural resources, and promote climate change mitigation and adaptation</b> . It may include not only greener farming practices but also the maintenance of existing beneficial practices.
CAP - II.4 - Support for practices respecting greening	Greening: in addition to the basic payment scheme/single area payment scheme, farmers receive a decoupled area payment per hectare when they observe three <b>agricultural practices that benefit the climate and the environment</b> : - crop diversification; - maintaining permanent grassland; - having an area of ecological interest on the agricultural land
IV/A.4 - Support for physical investments	This measure should help to improve the economic and environmental performance of farms and rural businesses, increase the efficiency of the agricultural marketing and processing sector, provide the necessary infrastructure for the development of agriculture and forestry, and <b>support the non-remunerative investments needed to achieve environmental objectives</b> .
CAP - IV/A.9 Afforestation and creation of wooded areas	This sub-measure provides <b>support for afforestation operations and the creation of wooded areas</b> on agricultural and non-agricultural land
CAP - IV/A.12 Investments improving the resilience and environmental value of forest ecosystems	This sub-measure supports actions that enhance the <b>environmental value of forests</b> , improve the potential of forests for climate change mitigation and adaptation, provide ecosystem services and strengthen the public amenity character of forests. Investments are aimed at ensuring the environmental value of forests.

# Sustainable Agriculture Appendix

## CAP: grants paid as eligibility criteria (2/2)



<p>CAP - IV/A.24 Support to local development in the framework of Leader (CLLD - local development led by local actors)</p>	<p>This measure aims to maintain Leader as an integrated instrument for territorial development at sub-regional ("local") level contributing directly to the balanced territorial development of rural areas, which is one of the overall objectives of rural development policy.</p> <p><b>Support for local development</b> by local actors [Leader under EAFRD] covers: (a) the costs of preparatory support covering capacity building, training and networking for the preparation and implementation of a local development strategy; (b) the implementation of operations under the local actor-led local development strategy; (c) preparation and execution of local action group cooperation activities; (d) operating costs related to the management of the implementation of the local actor-led local development strategy; (e) coordination of the local actor-led local development strategy.</p>
<p>CAP - V/B.2.3 Measures focused on the sustainable use of agricultural land</p>	<p><b>Natura 2000</b> payments and payments linked to <b>Directive 2000/60/EC</b>: These payments are available to help farmers cope with specific disadvantages in the areas concerned due to the implementation of Council Directive 79/409/EEC on the <b>conservation of wild birds</b> and Council Directive 92/43/EEC on the <b>conservation of natural habitats and of wild fauna and flora</b> in order to contribute to the effective management of Natura 2000 sites, and to help farmers cope with disadvantages in river basins resulting from the implementation of Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for Community action in the field of water policy.</p>
<p>CAP - V/B.2.4 agri-environmental payments</p>	<p>Agri-environmental payments: these payments cover income losses and costs incurred by farmers and other land managers who voluntarily commit to using <b>agricultural production methods compatible with the protection and enhancement of the environment, landscapes and their features, natural resources, soils and genetic diversity</b></p>
<p>CAP - V/B.2.5 animal welfare payments</p>	<p><b>Animal Welfare</b> Payments: These payments cover the loss of income and costs incurred by farmers who voluntarily <b>commit to livestock standards that go beyond the corresponding mandatory standards.</b></p>

# Sustainable Agriculture Appendix

## Exclusion of specific agricultural activities



NACE CODE	Activity
0114Z	Cultivation of sugar cane
0115Z	Tobacco growing
0119Z	Other non-permanent crops
0121Z	Winegrowing
0122Z	Tropical and subtropical fruit growing
0129Z	Other permanent crops