

**SCOPE**

Groupe BPCE (the "Issuer") is launching a "Sustainable Development Bond Program" (the "Program") which aims at edging its potential forthcoming Green and/or Social Bond issuances. Groupe BPCE has formalized its Program in a Framework (the "Framework") to drive transparency and coherence to its issuances. Groupe BPCE is contemplating the issuance of its first "Local Economic Development Social Bond" (the "Social Bond" or the "Bond") under this Program. As per its commitments, Groupe BPCE has created a "Social Bond Local Economic Development Methodological Note" (the "Methodological Note") to describe the main characteristics of this issuance. This Methodological Note has been complemented by additional information and commitments addressed by the issuer to Vigeo Eiris during the due diligence assessment conducted for this Opinion.

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Social Bond proposed to be issued by Groupe BPCE, according to our Environmental, Social and Governance ("ESG") exclusive assessment methodology, and on the alignment with the International Capital Market Association's Social Bond Principles ("SBP").

The opinion is based on the review of the two following components:

- ① **Issuer:** evaluation of the sustainability profile of Groupe BPCE, including:
  - ▶ Issuer's ESG performance, rated in December 2016 through our complete process of assessment and ranking, and monitored since then.
  - ▶ Issuer's involvement in potential ESG controversies' and controversial activities<sup>3</sup>.
- ② **Issuance:** assessment of the coherence between the Bond and the Issuer's sustainability commitments, and evaluation of the Bond's alignment with the SBP.

Our sources of information are gathered from our rating database, Groupe BPCE, press content providers and stakeholders, and complemented by interviews with involved departments and managers held at the Issuer's headquarters in Paris (France) and via teleconference systems. We carried out our due diligence assessment from May 28<sup>th</sup> to July 23<sup>th</sup>, 2018.

We could access all the appropriate documents and people we solicited. We consider that the provided information enables us to establish our opinions with a reasonable level of assurance on their completeness, precision and reliability.

**VIGEO EIRIS' OPINION**

**Vigeo Eiris is of opinion that the Bond considered by Groupe BPCE is aligned with the Social Bond Principles and expresses an overall reasonable<sup>4</sup> assurance (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability.**

- ① **Issuer:** Groupe BPCE displays a good<sup>5</sup> ESG performance (see Part I).
  - ▶ Groupe BPCE displays a good performance in the Environment, Social and Governance pillars. 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.

Vigeo Eiris' assurance that Groupe BPCE's ESG risk factors are adequately managed is good for the human capital, operational and legal risks. We have recommended reinforcing reputational risks mitigation regarding controversial investments and transparency on executive remuneration.

  - ▶ As commonly observed in its sector, Groupe BPCE faces frequent allegations regarding the Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The severity ranges from minor to high based on the analysis of their impact on the company and its stakeholders. The company is overall reactive: it reports in a detailed way on its position in all cases.
  - ▶ Groupe BPCE is not involved in any of the 15 controversial activities analysed by Vigeo Eiris.

<sup>1</sup> This opinion is to be considered as the "Second Party Opinion" described by the Social Bond Principles ([www.icmagroup.org](http://www.icmagroup.org)).

<sup>2</sup> The "Local Economic Development Bond" is to be considered as the potential forthcoming bond, which issuance is subject to market conditions.

<sup>3</sup> 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.

<sup>4</sup> Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section of this document):

Level of Evaluation: Advanced, Good, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

- ② **Issuance:** Groupe BPCE has formalized the main characteristics of this first Bond through its Program Framework and an ad-hoc Methodological Note that the Groupe has committed to make publicly accessible on its website<sup>5</sup>, in line with the good market practices.

We are of opinion that the contemplated Bond is coherent with Groupe BPCE's main sustainability priorities and sectorial issues, contributes to achieve its sustainability commitments and aligns with the Social Bond Principles (see Part II).

- ▶ The net proceeds of the Bond will be used to refinance Eligible Loans targeting clearly defined populations which are expected to contribute to job creation and preservation; and likely to contribute to four United Nations' Sustainable Development Goals, namely Goal 8 – "Decent Work and Economic Growth", Goal 10 – "Reduced Inequalities", Goal 1 – "No Poverty" and Goal 5 – "Gender Equality". This social objective is precise, measurable and relevant. Groupe BPCE has committed to assess and quantify expected social benefits.
- ▶ The governance and the process for loans evaluation and selection appear to be transparent and relevant. The process relies on explicit eligibility (selection and exclusion) criteria.

The identification and management of environmental and social risks associated with the Eligible Loans is reportedly initiated. Groupe BPCE has used a relevant "geo-scoring" process to identify and prioritize territories with high social deficit to allocate the proceeds to the Eligible Loans to be refinanced by this first Bond. This practice is highly positive and in line with the market best practices.

We recommend exploring the opportunity of integrating additional social criteria to this "geo-scoring" process with the aim of identifying and promoting those with the highest social benefits, to foster the access to employment to vulnerable populations, in particular to women, young people, people with disabilities or in the process of reintegration. In this same spirit Groupe BPCE could map the products and services with sustainable benefits (education, healthcare, mobility, etc.).

- ▶ The rules for the management of proceeds are clearly defined.
- ▶ The reporting process and commitments appear to be good, covering the funds allocation and the issuer has committed to define indicators to report on the expected social benefits.

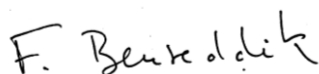
## EXTERNAL REVIEW

Groupe BPCE's Social Bond issuance is supported by external reviews:

- A pre-issuance consultant review: Second Party Opinions performed by Vigeo Eiris on the sustainability credentials of the Program and of the associated bond, based on pre-issuance commitments and covering all features of the Program and the Bond.
- An annual verification performed by a third-party auditor, covering the allocation of funds, the compliance in all material aspects, of (i) the actual allocation of proceeds to Eligible Loans and their alignment with the eligibility criteria and (ii) the pending cash allocation, for each Bond issued by the Program, annually and until their maturity date.

*This Opinion is valid as of the date of issuance and limited to Groupe BPCE's first Local Economic Development Social Bond to be issued between August and October 2018.*

Paris, July 26<sup>th</sup>, 2018



**Fouad Benseddik**  
Head of Methods and Institutional Affairs



**Guylaine Deniel**  
Director of Issuer's Business Unit

### Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 6 audit and consultancy missions for Groupe BPCE and its subsidiaries over the past 5 years. Entities belonging to Groupe BPCE are shareholders of Vigeo Eiris: Natixis (8.8%) and Crédit Coopératif, (0.1%).

This opinion aims to explain for investors why the Social Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the assets financed by the Social Bond. Groupe BPCE is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Social 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.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Groupe BPCE or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. 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.

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 is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

<sup>5</sup> [www.groupebpce.fr/](http://www.groupebpce.fr/)

## DETAILED RESULTS

### Part I. ISSUER

#### Level of Groupe BPCE's ESG performance

Groupe BPCE ranks 7<sup>th</sup> in Vigeo Eiris "Diversified Banks" sector which covers 31 European banks.

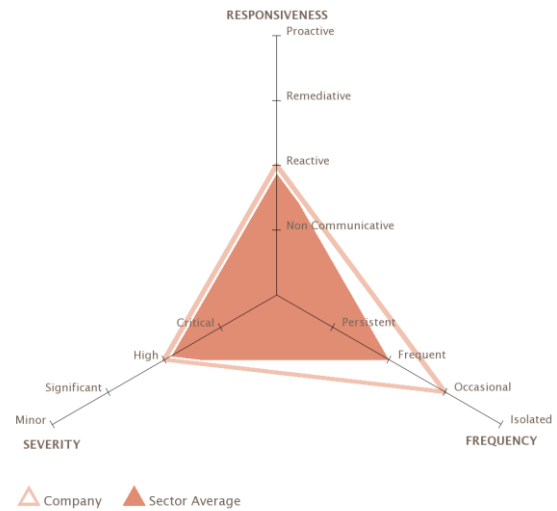
Table 1. Issuer's ESG performance

Domain	Comments	Opinion
Environment	<p>Groupe BPCE's performance on the Environment pillar is good.</p> <p>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<sub>2</sub> emissions from its operations and committed to cease financing the coal industry worldwide.</p> <p>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.</p>	Advanced
		Good
		Limited
		Weak
Social	<p>Groupe BPCE's performance on the Social pillar is good.</p> <p>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.</p> <p>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 reorganisation. Regarding the issue of stress on 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.</p> <p>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.</p> <p>In terms of information to customers and responsible customer relations, Groupe BPCE commits 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.</p>	Advanced
		Good
		Limited
		Weak
Governance	<p>Groupe BPCE's performance on the Governance pillar is good.</p> <p>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.</p> <p>Regarding Corporate Governance, 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.</p> <p>Groupe BPCE has in place a convincing framework on Business Ethics, including training on Professional Ethics for its different entities in 2016. The lobbying strategy is discussed at Board level and regularly communicated to employees through a newsletter.</p> <p>We recommended the disclosure of the Groupe commitments and processes related to the implementation of the principles and goals of the French Law on "Devoir de Vigilance" in order to account its capacity to prevent and guarantee the respect of human rights, the protection of the environment and health and safety along its value chain.</p>	Advanced
		Good
		Limited
		Weak

### Stakeholder-related ESG controversies

The Bank sector is particularly subject to ESG controversies. Groupe BPCE is involved in 7 stakeholder-related ESG controversies, related to all six domains analysed by Vigeo Eiris:

- Environment, namely “Green products and SRI” and “Climate change”.
- Human Resources, namely “Social dialogue” and “Health and Safety”.
- Human Rights, namely “Fundamental human and labour rights”.
- Community Involvement, namely “Social and economic development”.
- Business Behaviour, namely “Corruption and money laundering”.
- Corporate Governance, namely “Internal controls & risk management”.



**Frequency:** In average, the frequency of controversies is considered occasional, below the sector average.

**Severity:** The severity of these events is considered high on average - in line with the sector average - ranging from minor to high based on the analysis of their impact on both the company and its stakeholders.

**Responsiveness:** Groupe BPCE is overall reactive, in line with the sector average: The bank reports in a detailed way on its position on five cases, is remediative by voluntarily taking specific corrective actions on one case of significant severity and is proactive by taken systematic remedial actions on one case of high severity.

### Involvement in controversial activities

Groupe BPCE is not involved in any of 15 controversial activities analysed by Vigeo Eiris.

## Part II. ISSUANCE

### Coherence of the issuance

**We are of opinion that the contemplated Bond is coherent with Groupe BPCE's main sustainability priorities and sectorial issues, and contributes to achieve its sustainability commitments.**

The Banking sector is a vibrant enabler for the real economy and it fosters improved social and economic development. Small and medium-sized enterprises (SMEs) represent over 99% of businesses in the European Union. They play a major role in economic growth and innovation, and carry a strong potential for inclusive business. Nevertheless, according to a OECD study, access to financing continues to be one of the biggest challenges, as when seeking bank credit, SMEs face more stringent financing conditions and higher interest rates compared to large businesses.

Groupe BPCE, one of the largest banking group in France, states to be the leading bank for SMEs in France and to be committed to support the growth of small and medium size companies by providing financing and supporting them through innovation.

Furthermore, the Groupe has set up objectives in its strategic plan "TEC 2020" to advance its mission to become the reference for responsible growth, namely:

- Contribute to regional ecosystems – increase from 7 to 14 the Group sites labelled as "Responsible Customer Relations and Purchasing".
- Align the Groups entities into a certified CSR process – increase from 7 to 14 the number of establishments certified according to ISO 26000 standards.
- Direct savings towards a more responsible economy – more than 35M EUR in responsible saving, namely SRI.
- Develop transparent sectoral policies and integrate ESG criteria into credit policies.

In terms of alignment to international standards, the banks belonging to the Group are signatories of the United Nations Global Compact.

By issuing a Social Bond to refinance loans to SMEs and non-profit organizations, Groupe BPCE coherently responds to its commitment in terms of responsible growth, as well as it aligns to one main issue of the sector in terms of social responsibility.

### Use of proceeds

**The net proceeds of the Bond will be used to refinance Eligible Loans targeting clearly defined populations, small businesses and non-profit organizations located in socially disadvantaged areas in Metropolitan France.**

**Eligible Loans are expected to contribute to job creation and preservation; and likely to contribute to four United Nations' Sustainable Development Goals, namely Goal 8 – "Decent Work and Economic Growth", Goal 10 – "Reduced Inequalities", Goal 1 – "No Poverty" and Goal 5 – "Gender Equality".**

**This social objective is precise, measurable and relevant. Groupe BPCE has committed to assess and quantify expected social benefits.**

The definition of Eligible Loans is based on relevant indicators, a "geo-scoring" process to identify "socially disadvantaged areas in Metropolitan France" (see Local Economic Bond Methodology Note). The target populations, namely small businesses and non-profit organizations located in socially disadvantaged areas in Metropolitan France, are clearly defined:

- "Small businesses" meaning companies with an annual turnover below or equal to 3M EUR.
- "Non-profit organizations" as defined by the French Association Law 1901 and with an annual budget below or equal to 3M EUR.
- "Disadvantaged areas" definition is said to be based on nationally-recognized sources. The thresholds used to define the Relative Poverty Rate, Unemployment Rate and Business Creation level are based data from the OECD, the National Institute of Statistics and Economic Studies (INSEE) and the Observatoire des Inégalités.

In addition, Vigeo Eiris considers that the defined Eligible Loans are likely to contribute to four of the 17 SDGs:



#### *UN SDG 8. Decent work and economic growth*

The UN SDG 8 consists in promoting inclusive and sustainable economic growth, employment and decent work for all. More precisely, SDG 8 targets include:

- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, women migrants, and those in precarious employment
- 8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all

By using the Social Bond's proceeds to refinance the defined Eligible Loans, Groupe BPCE is contributing to the UN SDG 8, with regards to the above-mentioned targets.



#### *UN SDG 10. Reduced Inequalities*

The UN SDG 10 consists in reducing inequality within and among countries. More precisely, SDG 10 targets include:

- 10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
- 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

By using the Social Bond's proceeds to refinance the defined Eligible Loans, Groupe BPCE is contributing to the UN SDG 10, with regards to the above-mentioned targets.



#### *UN SDG 1. No Poverty*

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

- 1.4 By 2030, ensure that all men and women, 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
- 1.b Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender-sensitive development strategies, to support accelerated investment in poverty eradication actions

By using the Social Bond's proceeds to refinance the defined Eligible Loans, Groupe BPCE is contributing to the UN SDG 1, with regards to the above-mentioned targets.



#### *UN SDG 5. Gender Equality*

The UN SDG 5 consists achieving gender equality and empowering all women and girls. More precisely, SDG 5 targets include:

- 5.a Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws

By using the Social Bond's proceeds to refinance the defined Eligible Loans, Groupe BPCE is contributing to the UN SDG 5, with regards to the above-mentioned target.



### Process for loan evaluation and selection

**The governance and the process for loans evaluation and selection appear to be transparent and relevant. The process relies on explicit eligibility (selection and exclusion) criteria. Of note, the issuer has committed to clearly define the type of controversies that would cause the substitution of an Eligible Loan.**

The process for the evaluation and selection of Eligible Loans is overall defined and formalised in Groupe BPCE's Sustainable Development Bond Program Framework and in the Methodology Note of the Local Economic Development Bond.

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

- At Program level, Groupe BPCE has created a Sustainable Development Bond Governance Committee, integrated by 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.
- At Bond level, the teams in charge of each step of the process have been clearly defined and publicly disclosed in the Bond's Methodology Note.

The process is reasonably structured:

- The Asset and Liability Management team defines the eligibility criteria for the evaluation and selection of Eligible Loans to be refinanced by the Bond.
- The Committee approves the definition of criteria.
- The MLT Funding and Investors Relations team selects the Eligible Loans and updates the virtual pool.
- The Eligible Loans pool is validated on an annual basis by the Program Committee.

The verification and traceability is ensured throughout the process:

- The Sustainable Development Bond Governance Committee will meet twice per year to verify if all loans continue to comply with the eligibility criteria established under each Bond, and meeting minutes will be created to ensure decision traceability.
- An independent party will verify the compliance with the selection process and criteria under each Bond issuance.

The process relies on explicit eligibility criteria (selection and exclusion) with regards to the defined social objectives:

- The selection requirements are based on the definition of the Eligible Loan Category (see page 5).
- The issuer has defined explicit exclusion criteria:
  - o Exclusion of all activities related to mining (including coal), oil & gas, defence and nuclear activities.
  - o Exclusion of loans flagged by other funding sources such as the European Investment Bank or the Council of Europe Development Bank.

**The identification and management of environmental and social risks associated with the Eligible Loans is reportedly initiated.**

Groupe BPCE reports working on the integration of ESG criteria in its credit granting analysis, in line with the guidelines to be issued by the Group based on the identified vulnerable sectors.

Groupe BPCE has used a relevant "geo-scoring" process to identify and prioritize territories with high social deficit to allocate the proceeds to the Eligible Loans to be refinanced by this first Bond. This practice is highly positive and in line with the market best practices.

We recommend exploring the opportunity of integrating additional social criteria to this "geo-scoring" process with the aim of identifying and promoting those with the highest social benefits, fostering the access to employment to vulnerable populations, in particular to women, young people, people with disabilities or in the process of reintegration. In this same spirit Groupe BPCE could map the products and services with sustainable benefits (education, healthcare, mobility, etc.).

Of note, the issuer has committed to put in place a dedicated process to identify the event and/or potential controversies that could undermine the social and/or environmental objective targeted by the Bonds and to enable Groupe BPCE to take appropriate corrective measures.

Management of proceeds

**The rules for the management of proceeds are clearly defined.**

The rules for the management of proceeds fully align with the commitments established by the Issuer at Program level, for which Vigeo Eiris formulated a reasonable assurance. As such, Vigeo Eiris maintains a reasonable assurance on the capacity of the Issuer to manage the Social Bond proceeds through a transparent and documented process.

Monitoring & Reporting

**The reporting process and commitments appear to be good, covering the funds allocation and the issuer has committed to define indicators to report on the expected social benefits.**

The process for monitoring and reporting is overall defined in the Methodology Note of the Bond.

The process is based on relevant internal expertise:

- Relevant people across Groupe BPCE’s MLT Funding & Investor Relations team will be responsible for the monitoring and the creation of the report.
- The Sustainable Development Bond Program Committee will validate the report.

The Issuer commits to annually and transparently report on the Program through a dedicated Sustainable Development Bond Program Report, as long as the Bonds are outstanding. This Report will be publicly available on Groupe BPCE’s website. The financial and environmental data included will be annually verified by an external auditor.

The selected reporting indicators related to the fund allocation and social benefits are relevant to the defined Eligible Loan Category.

- The Issuer commits to transparently report at category level on:
  - The use of proceeds (in line with confidentiality practices)
  - The social benefits at category level and some examples of loans.

Bond level	
-	Number of loans granted to small businesses and non-profit organizations
-	Number of customers
-	Split of loans per zone’s employment and poverty rate
-	Number of jobs in small businesses and non-profit organizations
-	Independent survey to evaluate the impacts on job creation and preservation, and the quality of its jobs.

In addition, the issuer has committed to defining indicators to report on the nature of the finance activities and social responsibility profile of the counterparties recipients of the Eligible Loans finance by this Bond.

We recommended adding indicators to monitor and report on the contribution to the identified SDGs (for example, the number of women, young people and people with disabilities among the beneficiaries of the loans granted and the distribution of loans granted per sector of activity or social benefit (education, healthcare, mobility...)).



## 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 loans to be refinanced by this transaction.

Vigeo Eiris' methodology to define and to assess 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 Diversified Banks assessment framework, loans specificities and emerging issues.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of the Issuer (including but not limited to Groupe BPCE's Sustainable Development Bond Program Framework, Local Economic Development Methodology Note, Group Credit risk policies, Strategic Plan 2018-2020...) and interviewed members from several departments of the Issuer.

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 20 relevant ESG drivers organized in the 6 sustainability domains. Groupe BPCE'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.

#### Stakeholder-related ESG controversies and involvement in controversial activities

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:

- 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).
- 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).

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.

In addition, 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 Bond has been evaluated by Vigeo Eiris according to the Social Bond Principles and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.*

### Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance Eligible Loans and are traceable within the issuing organisation. Each Loan endorsed shall comply with at least one of the Eligible Loan Categories definition in order to be considered as an Eligible Loan. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Social Bond related Eligible Loans has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Loans. The contribution of Eligible Loans to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

### Process for loan evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of eligibility criteria and associated supporting elements integrated in the Social Bond issuance, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

### Management of proceeds

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

### Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, social benefits (output and impact indicators) and on the responsible management of the Eligible Loans financed by the Social Bond proceeds, collected at loan level and potentially aggregated at Bond and/or Program level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of assessment for processes and commitments: Weak, Limited, Good, Advanced.
- Scale of level of assurance on Issuer's capacity: Reasonable, Moderate, Weak.

## 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 a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

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.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)