



# Groupe BPCE: SUSTAINABLE DEVELOPMENT BOND PROGRAM

*Methodology Note for Social bonds / Healthcare*

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# | 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 key to human development

- Healthcare
- Education
- Social Housing
- Social Inclusion

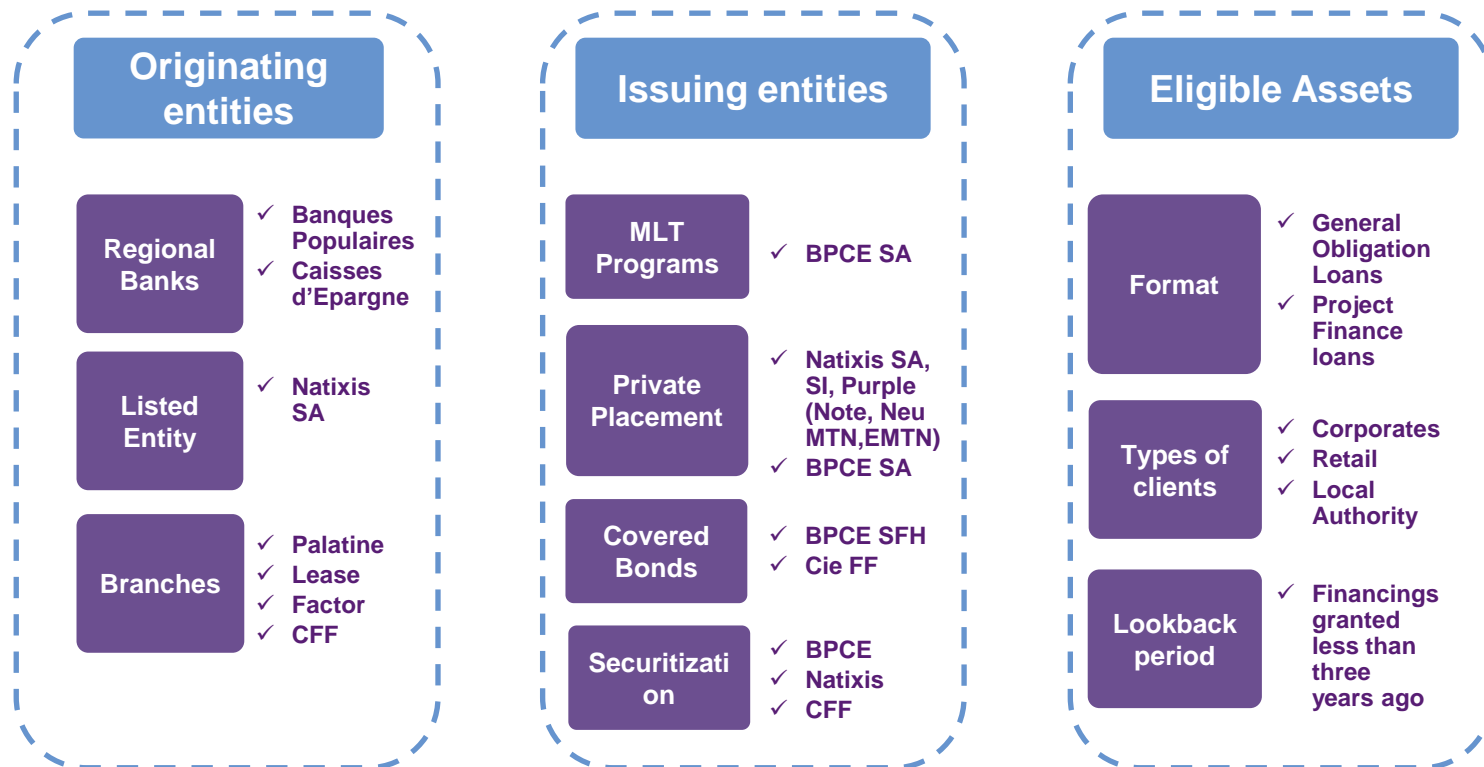
Local  
Economic  
Development

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

#### SOCIAL

##### Human Development

- Healthcare
- Education
- Social Housing
- Social Inclusion

##### Local Economic development

- Employment conservation & creation
- Affordable basic infrastructure

#### GREEN

- Renewable Energy
- Energy Efficiency
- Green buildings
- Clean transportation
- Sustainable Water management
- Sustainable Waste Management
- Biodiversity Conservation
- Sustainable Agriculture



External review

### Selection process & Project Evaluation

- For each eligible category, a methodology note defines specific eligibility criteria, including ESG selection criteria and reporting indicators
- A **Sustainable Development Bond Governance Committee** and an **Operational Committee** oversee both the methodologies and actual implementation of both framework and methodology notes
- 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**.

### Management of Proceeds

- Net bond proceeds will be granted to Groupe BPCE's regional banks or subsidiaries, by way of inter-company loans when necessary
- Green and social Bond proceeds will not be fungible with any other source of wholesale funding.
- **Lookback period of max 3 years**
- Pending allocation or reallocation, proceeds (swapped into euros if the bonds are not issued in euros) will be invested in cash or equivalents.
- At least once a year, earmarked eligible assets within the pool will be updated / screened for potential changes in eligibility status

### Reporting

- Once a year, as long as Green Bonds or Social Bonds are outstanding, BPCE will publish reports on:
  1. **Allocations** by eligible project category and for each bond issue some examples of loans refinanced;
  2. **Yet to be allocated amount** of cash or cash equivalents;
  3. **Relevant environmental and/or social key performance indicators** (outputs / impacts).
  4. **Assurance report** 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

# BPCE Sustainable Development Bond Framework

## *Dedicated governance*

Groupe 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 BPCE group's entities sustainable product (loans) innovation process, including how to embed impact and eligibility criteria in products 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

# |02

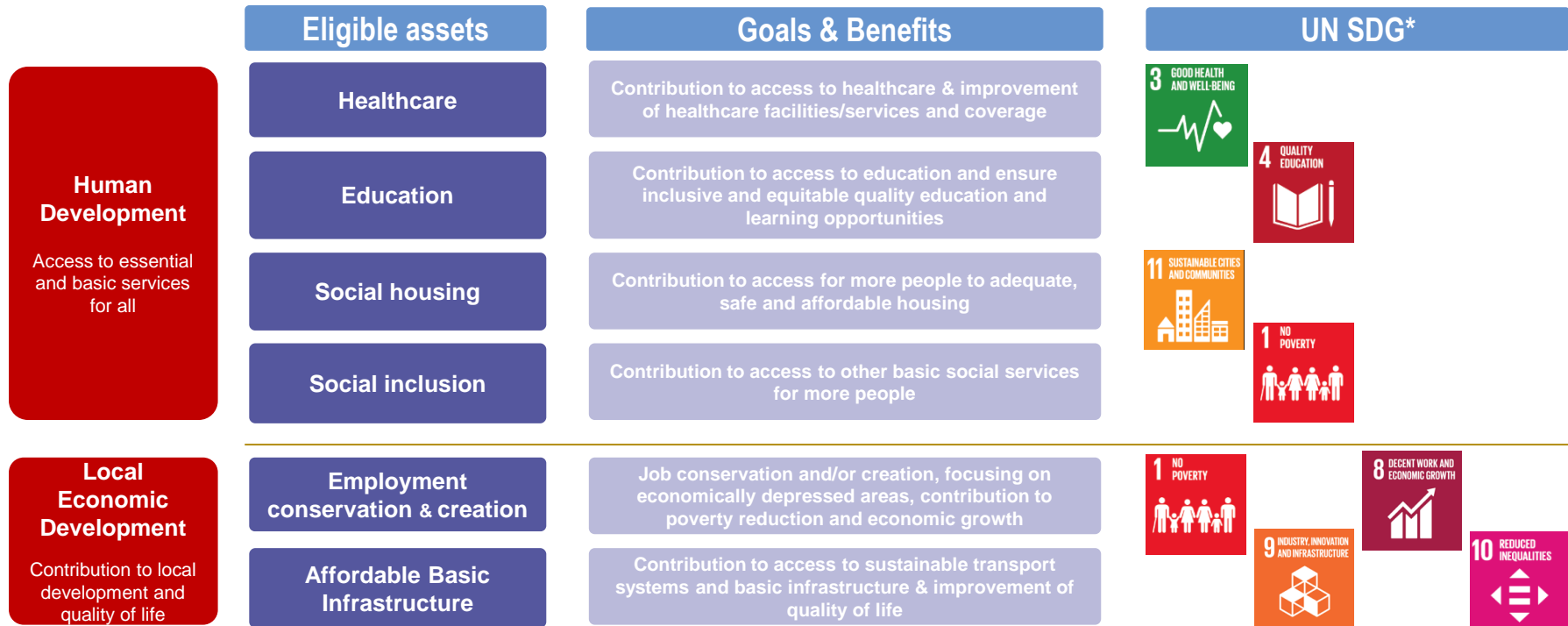
## Focus on Social Bonds



# Focus on Social Bond Issuance

## Eligible Categories

BPCE's Social Bond Framework is aligned with the Social Bond Principles defined by ICMA in terms of Use of Proceeds



# |03

## Healthcare Methodology

# Social Bond Methodology for Healthcare

The following methodology description is related to the “Healthcare” Eligible category under BPCE « Social bond » type of issuance.

## 2 Social Bonds

Focused on social sustainability and creating a positive contribution to the access to essential and basic services for all and local community development and well-being

- ✓ Healthcare
- ✓ Education
- ✓ Social Housing
- ✓ Social development
- ✓ Employment conservation and creation
- ✓ Affordable Basic Infra

3 GOOD HEALTH AND WELL-BEING



## Healthcare Methodology

### Use of Proceeds

Public Hospital Loans

### Management of proceeds

- Proceeds allocated through intra-group loans
- Eligible pool of assets updated at least yearly
- 3 years look back period
- Audit trail : Eligible projects earmarked within IT System

### Reporting

- Issuances
- Eligible asset pool : size, number of loans, geography, type of hospitals
- Impact Number of beds by activity, number & length of stay, occupancy rate
- External assurance : auditor's report

### Selection & evaluation

#### ESG selection criteria

- Client risk assessment (based on KYC and LAB internal processes)
- **ESG controversies** check (sector, client, project) at Loan approval
- Labour and human rights conformity and local requirements
- Business practices' review: money laundering, corruption, conflict of interest, overindebtedness policy

### Governance

- BPCE Sustainable Development Bond Committee
- Ad-hoc dedicated committees within financing entities

### External review

- Second Opinion
- Third party audit of proceeds allocation and actual eligibility

# Healthcare - 1. Use of proceeds

## *Eligible Assets (1/2)*

### Financing or refinancing of French Public Hospital Loans

- ☉ French Public Hospitals fall under the “Service Public Hospitalier” (SPH) and are considered a French public service performing a mission of general interest defined by law (“Code de la Santé Publique”) as part of the French health policy.
- ☉ French Public Hospitals responsibilities include:
  - Provision of public health services for the whole population, regardless of the income, social or financial status, at any time, and for all medical and surgical specialties, all diagnostic and therapeutic possibilities, including rare diseases or extremely expensive, complex and long-term treatment
  - Research to continually improve care and develop new treatments
  - Training of medical staff (such as doctors, nurses...)
- ☉ Public Hospitals are highly regulated by public bodies:
  - The activity of Public Hospitals is regulated by each “Agence Regionale de la Santé” (ARS) in their respective regions
  - Financing by “Assurance Maladie” of Public Hospitals is regulated by law under the “tarification à l’activité” (T2A) and the cost of each activity is set each year by the French Minister in charge of health through a pre-established scheme (“GHS / GHM”)
- ☉ Public Hospitals Finances are closely integrated within the French Public Finance Framework:
  - The legality of any expense decided by the management of the hospitals is checked by the public accounting officer prior disbursement
  - The finances of the French Public Hospitals are audited by the French public audit body “Cour des Comptes”
  - The recourse to private financing by French Public Hospitals is strictly monitored and the approval of the ARS is mandatory in case of hospitals exhibiting financial weaknesses

# Healthcare - 1. Use of proceeds

## *Eligible Assets (2/2)*

Social Bond Principles	Eligible Assets	Target Populations
Access to Essential Services	<p><b>Public health establishments and private establishments participating in the public hospital service (PSPH) as defined by French Law:</b></p> <ul style="list-style-type: none"><li>• <b>Public Hospitals</b> including:<ul style="list-style-type: none"><li>○ Regional Hospitals (« Centres Hospitaliers Régionaux » – CHR)</li><li>○ General Hospitals (« Centres Hospitaliers Généraux » – CHG)</li><li>○ University Hospitals (« Centres Hospitaliers Universitaires » – CHU)</li><li>○ Local Hospitals (« Centres Hospitaliers de Proximité » – HP)</li><li>○ Psychiatric Hospitals (« Centres Hospitaliers Spécialisés » - CHS)</li></ul></li><li>• <b>Private Non-profit Hospitals</b> including:<ul style="list-style-type: none"><li>○ Private health establishments of collective interest (« Etablissements de Santé Privés d'Intérêt Collectif » – ESPIC)</li><li>○ Cancer treatment centers - (« Centres de Lutte Contre le Cancer » - CLCC)</li></ul></li></ul>	<p><b>Public health establishments and private establishments participating in the public hospital service (PSPH) are required to provide support to the whole population by law and support reduction social inequalities, gender inequality and regional inequalities via generic missions:</b></p> <ul style="list-style-type: none"><li>• Make necessary medical treatment available to each and every person and provide continuous access to medical treatment (discrimination for the access to medical treatment is explicitly prohibited)</li><li>• Provision of medico-social services targeting people in a situation of hardship (medical services provided free of charge in the absence of health insurance cover : the French universal health insurance system)</li><li>• Provision of healthcare services across all territories in France, including the most isolated territories</li></ul>

# Healthcare- 2. Process for selection and evaluation

## *Methodology for Healthcare Asset Selection*

Groupe BPCE will select Healthcare loans thanks to a specific methodology and selection workflow

### Loan pipeline

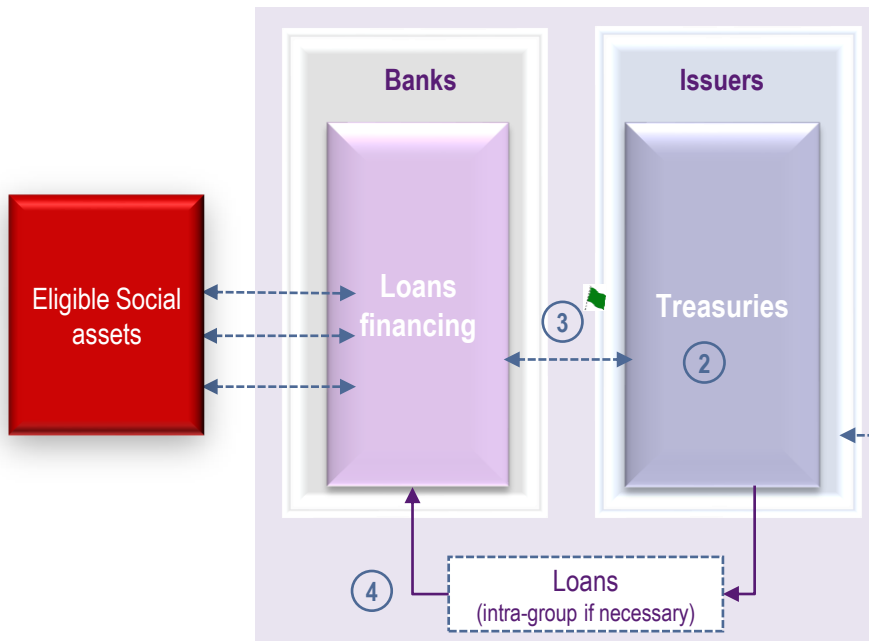
Look-back period	Loans granted during the last three years prior to any issuance falling under the healthcare category
Exclusion	Dedicated financings backed by public resources
Eligibility Criteria	<p>“Etablissements Publics de santé” according to the French Law with recognized legal status:</p> <ul style="list-style-type: none"><li>• Public Hospitals including CHR, CHG, CHU, HP and CHS</li><li>• Private Non-profit Hospitals including ESPIC and CLCC</li></ul>
Do no harm sustainability objective	<ul style="list-style-type: none"><li>• Client risk assessment (based on KYC and LAB internal processes)</li><li>• ESG controversies check (sector, client, project) at Loan approval</li></ul>

### Eligible pool of loans validated by the Committee

# Healthcare - 3. Management of Proceeds

## *Tracking and allocation process\**

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 Social Portfolio (including Healthcare assets) on a quarterly basis and that the issued amount remains significantly lower than the nominal of the social portfolio

①

Social bond investors

①

- Social bond issuance done by BPCE or Natixis, ISIN tagged as social bond

②

- Treasury collects net proceeds in order to finance or refinance eligible social loans
- Introduction of a healthcare flag in treasury systems for eligible facilities and matched with the ISINs of Social Bond issuances

③

- Net proceeds are allocated to existing, on going or future eligible social loans

④

- The treasury department will proceed to intragroup loans equal to the issued amount from the main body to originating entities on a prorata basis of the eligible assets provided

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

# Healthcare - 4. Reporting

## Set of allocation & impact indicators

Groupe BPCE will publish an annual Allocation and Impact Reporting presented on a portfolio basis

### Eligible Pool of Loans

#### Allocation Reporting

- Allocated amount (EUR)
- Share of financing vs. refinancing
- Amount of unallocated proceeds kept in cash and cash equivalents (EUR)
- #, geography and amount of loans granted to public hospital service (PSPH)

#### Impact Reporting

- # of beds (if relevant)
- # of patients in care
- Split between full-stationary care and partial care
- Split of care by type of medical activities (MSO, PAC, MHE...)
- Occupancy rate
- Average length of hospitalization

- Allocation and outputs & impacts indicators will be disclosed at Program (i.e. eligible pool of assets) level.
- Reporting will be based on direct data collection, obtained from Ecolocale database (internal system gathering data from publicly available databases such as ATIH (“Agence technique de l’information sur l’hospitalisation”) or SAE (“Statistique Annuelle des établissements de Santé”).
- Due to French banking laws, all issuing entities cannot disclose the name of the underlying landlords or sponsors. Specific data will thus be anonymized.



# Healthcare - 5. External Review

## *Second party Opinion at methodology note level*

Groupe BPCE has appointed Vigeo Eiris as Second Party Opinion on the Healthcare methodology note

### VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Social Bonds to be issued within Groupe BPCE's Sustainable Development Bond Programme and the Methodology Note for Healthcare are aligned with the four core components of the Social Bond Principles 2020.

We express a reasonable assurance<sup>5</sup> (our highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainable development.

# |04

## Appendices

# Healthcare Appendix

## Overview of French Hospital Sector entities & missions

