

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF BCPE'S SOCIAL BONDS METHODOLOGY FOR HEALTHCARE

July 2020

SCOPE

Groupe BPCE (the "Issuer") has launched a "Sustainable Development Bond Programme" (thereafter the "Programme") with the aim to govern the issuances of potential Green and/or Social Bonds. Groupe BPCE has formalised its Programme in an overall Framework (the "Framework") in order to ensure transparency and coherence of its potential Bond issuances aiming to achieve environmental and/or social objectives. The overall Framework has been reviewed by Vigeo Eiris in a Second Party Opinion ("SPO") published in 2018 and revised in April 2020².

In addition to this overall Framework, Groupe BPCE has recently created a Methodology Note for the Healthcare Eligible Category (the "Methodology Note"), in order to describe the specific characteristics of Social Bonds³ which would be issued to finance and/or refinance Eligible Projects falling under this Category. Vigeo Eiris was commissioned to provide an independent opinion (the "Second Party Opinion" or the "SPO") on the sustainability credentials and management of the Social Bonds to be issued under this new Methodology Note.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the International Capital Market Association's Social Bond Principles ("GBP") voluntary guidelines, edited in June 2020.

Our opinion is built on the review of the following components:

- 1) **Issuer:** we summarized our rating of the Issuer's Environmental, Social and Governance (ESG) performance (evaluated in December 2018), and we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities.⁴
- 2) **Issuance:** the assessment of the overall Framework already carried out by Vigeo Eiris in 2018 and revised in 2020 (see the above-mentioned SPO) has been complemented with the assessment of the coherence between the Methodology Note and the Issuer's strategic social commitments, the Bonds' potential contribution to sustainability and the alignment with the four core components of the SBP 2020.

Our sources of information are multichannel, combining information (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris' exclusive ESG rating database, and (iii) provided by the Issuer through documents and interviews.

We carried out our due diligence assessment from July 16th to July 28th, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

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 assurance⁵ (our highest level of assurance) on the Issuer's commitments and on the contribution of the contemplated Bonds to sustainable development.

¹ This opinion is to be considered as the "Second Party Opinion" described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² <https://groupebpce.com/investisseurs/dette/obligations-vertes>

³ The "Social Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Social Bond" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

⁴ The 17 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Human embryonic stem cells, Military, Nuclear power, Pornography, Reproductive medicine and Tobacco.

⁵ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

1) Issuer (see Part I):

- ▶ As of December 2018, Groupe BPCE displays a good ESG performance overall. In particular, the Issuer displays an advanced performance in the Environment and Social pillars and a good performance in the Governance pillar.
- ▶ As of today, Groupe BPCE faces 10 controversies, related to the following domains: Environment (“Green products and SRI”, “Climate change”), Human rights (“Fundamental human rights”, “Non-discrimination and diversity”), Community Involvement (“Social and economic development”, “Financial inclusion”), Business Behaviour (“Information to customers”, “Responsible Customer Relations”, “Corruption and money laundering” and “Responsible lobbying”); and Governance (“Internal controls & risk management”). Controversies are considered frequent, their severity is considered high based on the analysis of their impact on both the company and its stakeholders, and the Company is considered remediable.
- ▶ Groupe BPCE is involved in one of the 17 controversial activities screened under Vigeo Eiris methodology, namely ‘Military’, through its minority shareholding (less than 8%) in a number of companies. BPCE is not involved in any of the other 16 controversial activities.

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalised Sustainable Development Bond Programme Framework (created in 2018 and updated in 2020) complemented by a Methodology Note for Social Bonds/Healthcare Eligible Category (last version provided on July 24th, 2020). Groupe BPCE has committed to make this document publicly available on its website⁶ at Bonds’ issuance.

We are of the opinion that the contemplated Bonds are coherent with Groupe BPCE’s main sector sustainability issues and with its publicly disclosed strategic sustainable development priorities, and that they contribute to achieve BPCE’s sustainable development commitments.

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in full or in part, loans falling under one Eligible Loan Category, namely: Public Hospitals and Private Non-profit Hospitals. We consider that the Eligible Loan Category is clearly defined.
- ▶ The Eligible Loans are intended to contribute to one main social objective, namely: Access to essential services. This objective is formalised in the Methodology Note and is considered clearly defined and relevant.
- ▶ Eligible Loans are considered to provide clear and measurable social benefits. The Issuer has committed to assess and quantify the social benefits of its issuances and to publicly communicate an estimation of social benefits at least annually within the reporting. An area for improvement is to assess and, where feasible, quantify the expected social benefits with ex-ante social targets.
- ▶ The target population has been clearly defined by the Issuer as the users of the French healthcare services.
- ▶ The Eligible Loans are likely to contribute to one of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 3. Good health and well-being.
- ▶ The Issuer has not communicated any ex-ante refinancing share that will be applied to the proceeds of the Social Bonds, but has committed to publicly disclose it in the annual reporting for each issuance. An area for improvement is to commit to disclose this share before or at issuance. In case of refinancing, the Issuer has committed to respect a maximum lookback period of three years from the Bond’s issuance date, in line with market practices.

Process for Projects Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Programme Framework and in the Methodology Note. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives of the Sustainable Development Bond Programme and of the Methodology Note for Healthcare.

⁶ <https://groupebpce.com>.

- ▶ The identification and management of the main environmental and social risks associated with the Eligible Loans appears to be good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.

Reporting

- ▶ The reporting process and commitments are good. The selected reporting indicators related to the fund's allocation and to social benefits are considered clear and relevant.

Groupe BPCE has committed that its Bonds will be supported by the following external reviews:

- ▶ **A pre-issuance consultant review:** the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments. The Issuer has committed to publish this SPO on its website at Bonds' issuance.
- ▶ **An annual verification:** an external verification performed by a third-party auditor, covering (i) the actual allocation of proceeds to Eligible Loans and their alignment with the eligibility criteria defined in the Framework and in the Methodology Note for Healthcare (ii) the management of proceeds and pending cash allocation, annually and until the Bonds' full allocation and in case of any material change. An area for improvement is to commit to an external verification of the data used to report on the social benefits of the Bonds.

This Second Party Opinion is based on the review of the Framework, the Methodology Note, and other information provided by the Issuer, according to our exclusive assessment methodology and to the SBP voluntary guidelines (June 2020). BPCE acknowledges that in case of changes of such standards and market practices and expectations, Vigeo Eiris shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, July 28th, 2020

Project team

Mohana Mc Gartland
Sustainability Consultant

Amaya London
Sustainability Consultant

Muriel Caton
*Senior Advisor
Supervisor*

For more information, contact:

Sustainable Finance Team

VEsustainablefinance@vigeo-eiris.com

Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 11 audit missions for Groupe BPCE and its subsidiaries over the past 5 years. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, 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 accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

DETAILED RESULTS

Part I. ISSUER

Groupe BPCE is France's second largest bank, formed by the 2009 merger of CNCE (Caisse Nationale des Caisses d'Épargne) and BFBP (Banque Fédérale des Banques Populaires). The Issuer has more than 8,000 branches in France. Through its subsidiaries, which include Natixis, the Group offers banking, insurance, loans, real estate financing, asset management, private equity, investment solutions, and customized financial services.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of December 2018, Groupe BPCE displays a good ESG performance overall. In particular, the Issuer displays an advanced performance in the Environment and Social pillars and a good performance in the Governance pillar.

Domain	Comments	Opinion
Environment	Groupe BPCE's performance in the Environment pillar is advanced.	Advanced
	The company has issued a formalised commitment to environmental protection in its "Démarche RSE Groupe". In addition, Natixis, a Groupe BPCE entity, has set 2020 targets to reduce the CO ₂ emissions from its operations and committed to cease financing the coal industry worldwide.	Good
	Comprehensive resources are allocated 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, an entity of Groupe BPCE, adhered to the Montreal Carbon Pledge and the Portfolio Decarbonization Coalition and supports energy transitions through thematic funds. 77.5% of the Group's total financing is dedicated to renewable energies.	Limited
	On December 2017, Natixis has strengthened its commitment to climate and environment (exclusions of tar sands and Arctic projects) and in 2018 Mirova has reduced the carbon footprint of its consolidated equity portfolio.	Weak
Social	Groupe BPCE's performance in the Social pillar is advanced.	Advanced
	Several measures are in place to assess and mitigate Human Rights risks in both lending and investment activities. Groupe BPCE has signed an agreement on the career of staff representatives within the Group and its agreement on professional equality and gender equality was renewed. Diversity-related indicators show 5-year improving trends.	Good
	In terms of Human Resources, the Group has an advanced approach to labour relations and signed with trade unions, in 2015, a Group Agreement governing skills development, career management, training and reclassification of its workforce in case of restructurings. Regarding the issue of stress in the workplace, one person was appointed responsible for the quality of work-life balance 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.	Limited
	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.	Weak
Governance	Groupe BPCE's performance in the Governance pillar is good.	Advanced
	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. Regarding Corporate Governance, the performance remains limited, almost good. Directors are elected only every 6 years. In 2015, the Supervisory Board amended its Internal Rules and created a Risk Committee separate from the Audit Committee, and a Remuneration Committee separate from the Appointments Committee.	Good

	<p>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>	Limited
	<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. The final Code of Conduct and Ethics has been validated on august 2018 by the Supervisory Board.</p>	Weak

Management of stakeholder-related ESG controversies

As of today, BPCE is facing 10 stakeholder-related ESG controversies, linked to five of the six domains we analyse:

- Environment, in the criteria of "Green products and SRI" and "Climate change";
- Human rights, in the criteria of "Fundamental human rights" and "Non-discrimination and diversity";
- Community Involvement, in the criteria of "Social and economic development" and "Financial inclusion";
- Business Behaviour, in the criteria of "Information to customers", "Responsible Customer Relations", "Corruption and money laundering" and "Responsible lobbying";
- Corporate Governance, in the criterion of "Internal controls & risk management".

Frequency: On average, the controversies are considered frequent, in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered high on average, in line with the sector average.

Responsiveness: Groupe BPCE is remediative, above the sector average.

Involvement in controversial activities

Groupe BPCE is involved in one of the 17 controversial activities screened under Vigeo Eiris methodology, namely 'Military', through its minority shareholding (less than 8%) in companies involved in producing key parts or services for cluster munitions, delivery platform for nuclear weapons and ammunition (white phosphorous), including SKF, Rolls-Royce Holdings and Thales.

The Issuer does not appear to be involved in any of the other 16 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Human embryonic stem cells, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE**Coherence between the Issuance and the Issuer**

Context note: The health sector is facing a constant evolution of its issues (universal health coverage, funding of medical research, ageing of the population, fight against epidemics) and health financing is therefore becoming more challenging. Under the Sustainable Development Goals (SDG), countries have set themselves an ambitious health policy agenda for the next 15 years. The achievement of these goals will require sustained and increased investments at country level, and continuous support from the entire global community, in a situation of constrained public budgets. The banking sector has a key role to play in providing financing and investment structures to address these challenges.

We are of the opinion that the contemplated Bonds are coherent with Groupe BPCE's main sector sustainability issues and with its publicly disclosed strategic sustainable development priorities, and that they contribute to achieve its sustainable development commitments.

Mobilizing the banking sector is key for the achievement of the United Nations Sustainable Development Goals. This sector plays a significant role in closing the existing financial gap to make progress towards sustainable development.

Groupe BPCE has repeatedly demonstrated its commitment to financing projects with high social impacts with the issuance of several Human Development, Local Economic Development and Social Housing Bonds between 2017 and 2019. In particular, in July 2017, the Group issued its first Healthcare Bond aimed at refinancing the loans granted to the customers of the Group's 15 Banques Populaires and 16 Regional Savings Banks in the healthcare sector.

Beyond its Sustainable Development Bonds programme, Groupe BPCE, in particular through its Caisse d'Epargne subsidiaries, is positioned as a major partner of local authorities and public healthcare institutions, providing them with a full range of financing solutions.

By issuing Healthcare Social Bonds to finance or refinance, in full or in part, loans related to Public health establishments and private establishments participating in the public hospital service (PSPH), Groupe BPCE coherently aligns with its sustainability strategy and commitments and it addresses the main issues of the sector in terms of sustainable development.

Use of proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in full or in part, loans falling under one Eligible Loan Category, namely: Public Hospitals and Private Non-profit Hospitals. We consider that the Eligible Loan Category is clearly defined.

The Eligible Loans are intended to contribute to one main social objective, namely: Access to essential services. This objective is formalised in the Methodology Note and is considered clearly defined and relevant.

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

The target population has been clearly defined by the Issuer as the users of the French healthcare services.


The Issuer has not communicated any ex-ante refinancing share that will be applied to the proceeds of the Social Bonds, but has committed to publicly disclose it in the annual reporting for each issuance. An area for improvement is to commit to disclose this share before or at issuance. In case of refinancing, the Issuer has committed to respect a maximum lookback period of three years from the Bond's issuance date, in line with market practices.

Groupe BPCE commits to exclusively use the proceeds of the Healthcare Social Bonds to finance or refinance, in full or in part, loans to Public and Private Non-profit Hospitals. The characteristics of these Eligible Loans are indicated in the table below.

Project location: The Issuer has reported that projects financed through the Eligible Loans will all be located in France.

Groupe BPCE's Methodology Note for Social Bonds/Healthcare			Vigeo Eiris analysis
Eligible Category	Definition and Eligibility Criteria - Selection	Objectives and expected benefits	
<p>Public Hospitals & Private Non-profit Hospitals</p>	<p>Public health establishments and private establishments participating in the public hospital service (PSPH) as defined by French Law:</p> <ul style="list-style-type: none"> - Public Hospitals including: <ul style="list-style-type: none"> o Regional Hospitals (« Centres Hospitaliers Régionaux » – CHR) o General Hospitals (« Centres Hospitaliers Généraux » – CHG) o University Hospitals (« Centres Hospitaliers Universitaires » – CHU) o Local Hospitals (« Centres Hospitaliers de Proximité » – HP) o Psychiatric Hospitals (« Centres Hospitaliers Spécialisés » - CHS) - Private Non-profit Hospitals including: <ul style="list-style-type: none"> o Private health establishments of collective interest (« Etablissements de Santé Privés d'Intérêt Collectif » – ESPIC) o Cancer treatment centers - (« Centres de Lutte Contre le Cancer » - CLCC) <p>Target population: users of the French healthcare services.</p>	<p>Access to essential services/healthcare</p> <p>---</p> <p><i>Supporting the financing of the French healthcare system</i></p>	<p>The definition of the category is clear.</p> <p>The social objective is clearly defined and relevant.</p> <p>The target population is clearly defined.</p> <p>The social benefit is clear, measurable, and relevant. An area for improvement is to quantify the expected social benefits with ex-ante social targets.</p>

The Eligible Loans are likely to contribute to one of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 3. Good health and well-being.

Eligible Category	UN SDGs identified	UN SDGs targets
Public Hospitals & Private Non-profit Hospitals	 <p>SDG 3. Good health and well-being</p> <p>UN SDG 3 consists in ensuring healthy lives and promote well-being for all at all ages.</p>	<p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p>

Process for Project Evaluation and Selection

The governance and the process for the evaluation and selection of the Eligible Loans are formalised in the Programme Framework and in the Methodology Note. We consider that the process is reasonably structured, transparent and relevant.

The process for the evaluation and selection of Eligible Loans is reasonably structured.

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

- At Programme level, Groupe BPCE has created a Sustainable Development Bond Governance Committee (the "Committee"), gathering senior representatives covering multi-disciplinary relevant expertise, namely in ESG, business development and finance.
 - The Committee's responsibility is to oversee the governance of the Programme – its specific tasks are clearly defined and disclosed in the Programme Framework.
 - BPCE's Portfolio Management & Financial Engineering team will be in charge of loan evaluation and selection and for making sure that selection and exclusion criteria are duly applied.
 - The Committee will supervise the governance and the process for loan evaluation and selection of the Social Bonds issued under the Methodology Note and will validate the pool of selected Eligible Loans.
- The verification and traceability are ensured throughout the process:
- At least once a year, earmarked eligible assets within the pool will be updated/screened for potential changes in eligibility status.
 - The department in charge of the selection of Eligible Loans will report on selected projects to the Committee, which will meet quarterly.
 - An independent auditor will verify the compliance of the Eligible Loans with the selection process and criteria for Public Hospitals and Private Non-profit Hospitals as defined in the Framework and in the Methodology Note.

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

- Selection: the eligibility requirements are based on the Eligible Categories definitions in the Use of Proceeds section of the Methodology Note (as indicated in the table above).
- Exclusions:
 - Loans financed by dedicated resources provided by public institutions (e.g. Caisse de Dépôts et Consignations, Council of Europe Development Bank, European Investment Bank) will be excluded, in order to avoid double counting;

- Groupe BPCE will put in place a process to identify events and/or potential controversies affecting the borrowers of the Eligible Loans that could undermine the social objectives targeted by the bonds, in order to take the appropriate corrective measures. If any material and critical controversies regarding an Eligible Loan emerge, the Issuer commits to substitute that loan by an alternative Eligible Loan. Areas for improvement include clarifying the definition of material and critical controversies and specifying which degree of severity of a controversy would lead to the exclusion of a loan from the portfolio of Eligible Loans.

The identification and management of the main environmental and social risks associated with the Eligible Loans appears to be good.

The Issuer has formalised in the Methodology Note a relevant list of establishments that could benefit from the loans, namely: public hospitals and private non-profit hospitals, based on the legal definition of the “Code de la Santé Publique”. Both categories of establishments have their activities, pricing scheme and financing programs highly regulated by public bodies, including the “Agences Regionales de la Santé”. Therefore, we consider that the main social risks associated with the Eligible Loans are covered, including health and safety of hospital users and equal access to healthcare.

Since all projects will be located in Designated Countries of the Equator Principles, deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on relevant documentation (e.g. labour and human rights conformity and local requirements) to demonstrate the respect of this legislation.

Groupe BPCE will systematically perform an ESG controversies check (covering the sector, the borrower and the project) prior to project approval/selection in order to identify events and/or potential controversies that could represent an environmental and/or social risk. Contractual clauses within the loan agreement will require the Borrower to comply with national legislations and to report and disclose to the Issuer any events or incidents happening throughout the life of the loan, allowing BPCE to take appropriate measures.

A Client Risk Assessment (based on KYC and Anti Money Laundering internal processes) will be performed prior to any project approval and throughout the life of the Loan in order to cover the risks of money laundering, corruption, conflict of interest and over indebtedness.

Management of proceeds

The rules for the management of proceeds are clear and will be verified. We consider that they would enable a transparent and documented allocation process.

The allocation process is clearly defined and formalised in the Framework and in the Methodology Note.

- The issuances can be done by BPCE or Natixis and the Issuer will identify Healthcare Social Bond issuances in the system through ISIN tagged as “Healthcare Social Bond”. The net proceeds of the Bonds will be collected and managed by Groupe BPCE’s Treasury department.
- A “Healthcare” flag will be introduced in the treasury systems to identify a pool of eligible loans and match it with the ISIN code of Healthcare Social Bond issuances. The internal tracking system will ensure that no fungibility with other sources of wholesale funding takes place.
- The Treasury department⁷ will proceed to intragroup loans equal to the issued amount from the main body to originating entities on a pro-rata basis of the eligible assets provided.
- The Issuer has committed to allocate all proceeds of the Bonds to Eligible Loans at settlements or within 24 months after the issuance of a specific Healthcare Social Bond.
- Pending full allocation of the net proceeds, the balance of unallocated proceeds will be kept in cash or cash equivalent and will not be invested in loans to clients who participate in activities explicitly excluded in the Sustainable Development Bond Programme Framework (mining – including coal, oil & gas, defence, nuclear activities and tobacco).

⁷ Specific arrangements are set in case the Issuer consists in a Special Purpose Vehicle or a Covered Bond

- In case of divestment, or if a loan fails to comply with the eligibility criteria, the Issuer has committed to use its best efforts to replace it with another Eligible Loan within 12 months, or, when not possible, to keep the divested amount in cash or cash equivalent and to reallocate the proceeds to another Eligible Loan as soon as possible.

Traceability and verification are ensured throughout the process:

- The Committee (via the Portfolio Management & Financial Engineering function) will ensure the adequate monitoring of the evolution of the Eligible Portfolio on a quarterly basis and that the issued amount remains significantly lower than the nominal of the social portfolio.
- BPCE has committed to an independent third-party verification of the tracking and allocation of proceeds once a year and until maturity of the Bonds.

Monitoring & Reporting

The reporting process and commitments are good. The selected reporting indicators related to the fund's allocation and to social benefits are considered clear and relevant.

The processes for monitoring, data collection, consolidation and reporting are defined in the Framework and in the Methodology Note.

The process relies on relevant internal expertise and involves relevant departments of the Issuer:

- The Portfolio Management & Financial Engineering function will be responsible for producing the report relying on data provided by relevant departments.
- The Committee will validate the report.

The Issuer has committed to annually and transparently report on the Bonds, until their maturity, through dedicated Sustainable Development Bond Programme Reports. The Reports will be made publicly available in a dedicated page on BPCE's website. The Issuer will report at Bond (or batch of bonds or notes) and at Programme level (e.g. eligible pool of loans) on both the allocation of the proceeds and on the social outputs.

The Issuer commits to transparently communicate on:

- Allocation of proceeds: the selected reporting indicators related to the fund's allocation are considered clear and relevant.

Allocation reporting indicators
- Number of loans granted) (Nb) ⁸
- Amount of loans granted (EUR)
- Geography (%)
- Share of financing vs. refinancing (%)
- Amount of unallocated proceeds kept in cash and cash equivalents (EUR) (if relevant)

⁸ Project and Sponsor names - Due to French banking laws, BPCE, Natixis and other group entities cannot disclose the name of the underlying projects or sponsors. Projects specific data will thus be anonymized.

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

Social benefits indicators
<ul style="list-style-type: none"> - Number of beds (if relevant) - Number 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

Reporting will be based on direct data collection from Groupe BPCE's internal system (no calculation methodologies). Reporting on the social benefits will only include the pro-rata share of output indicators corresponding to the loan amount financed by the Healthcare Social Bonds (social bond share of financing vs. total project amount). Areas for improvement consist in (i) reporting on the impact of the loans through impact indicators (ii) committing to an external verification of the data used to report on the social benefits of the bonds.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.

Level of the Issuer's ESG performance

The Issuer's ESG 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.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

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 is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 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 specific nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

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

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

Disclaimer

© 2020 Vigeo SAS and/or its licensors and subsidiaries (collectively, "Vigeo Eiris"). All rights reserved.

Vigeo Eiris provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

VIGEO EIRIS'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. VIGEO EIRIS'S RESEARCH DOES NOT CONSTITUTE STATEMENTS OF CURRENT OR HISTORICAL FACT. VIGEO EIRIS'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VIGEO EIRIS ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE VIGEO EIRIS'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. VIGEO EIRIS'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT VIGEO EIRIS'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY VIGEO EIRIS FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. VIGEO EIRIS IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, Vigeo Eiris and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "**Vigeo Parties**") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, wilful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any **Vigeo Party**, arising from or in connection with the information contained herein or the use of or inability to use any such information.

Additional terms For PRC only: Any Second Party Opinion or other opinion issued by Vigeo Eiris: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.