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Enterprise

Supporting your Sustainable / Green Bond

Bridging the gap between sustainable performance and finance

January 2017

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Worldwide network

- 200 experts
- Presence on every continent

Independance and transparency of certified methodologies (ARISTA)

- International and multistakeholder shareholder structure
- Exclusive methodology reviewed by an independent Scientific Committee
- Strict separation between rating activities and consulting missions

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Rating

Empowering Responsible Investment

Large range of products and services (analysis, opinion, rating and ranking, risks review, portfolios review,…) for investors and asset managers willing to integrate social responsibility factors into their operations:

- More than **4,000 issuers** covered (corporates, regions, states)
- More than **300 partners worldwide**: investors and asset managers, civil society organisations and international institutions and universities

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Empowering Responsible Management

Audit and **ESG integration** missions for companies from all sectors, local authorities and NGOs, in order to help them assess and develop their social responsibility policies:

- Second Party Opinion for Green and Sustainable Bonds issuances (CBI verifier)
- Independent third-party for **social responsibility labels and certifications**: LUCIE, CGEM, Diversity,…
- More than **600 projects** in **41 countries** since 2002

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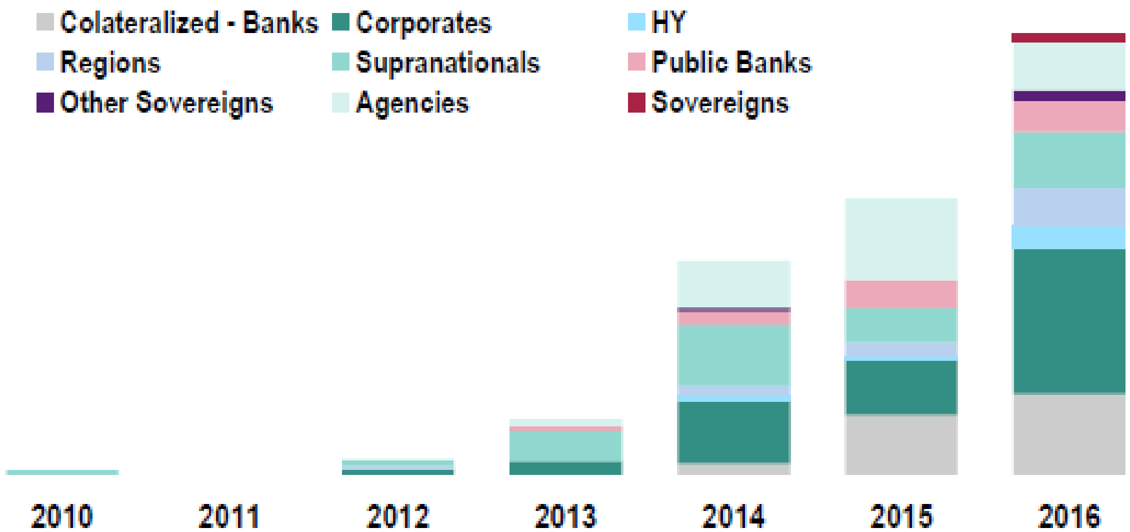
What are we talking about
The Market

Green Bonds in 2016

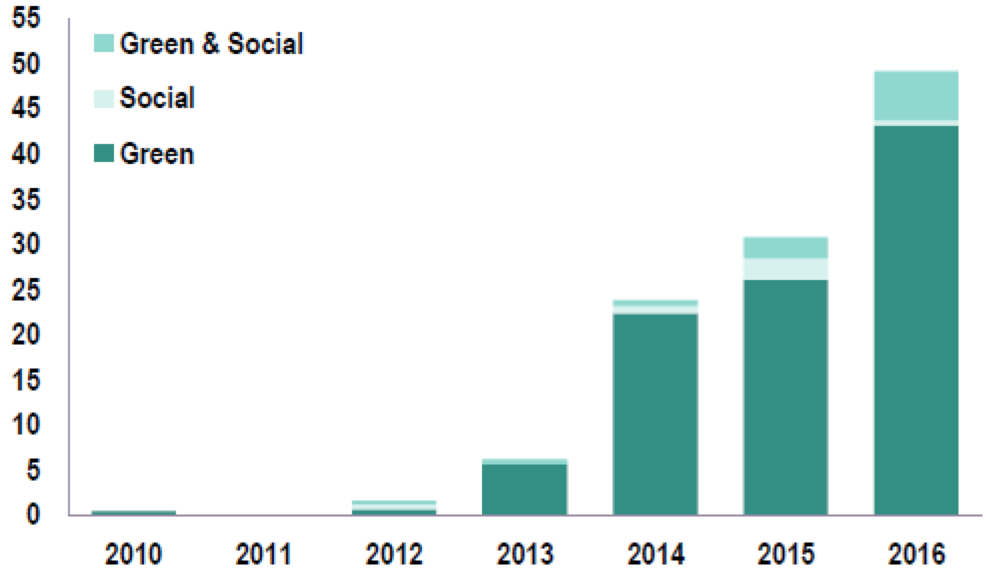
$94bn (x10 since 2013)

→ more structured framework: emerging standards, high commitment from issuers

Type of issuers:



Breakdown by main purpose of green bond issues of $200m and above:



Sources : *Market update & perspectives January 2017* – Natixis / Bloomberg / Vigeo

What are we talking about
Key components

Sustainable Bonds

(RE)FINANCING SUSTAINABILITY RELATED PROJECTS

Issuance

- Funds dedicated to sustainability related projects (use of proceeds).
- Responsible management of projects (evaluation and selection process).
- Transparency on fund allocation (management of proceeds).
- Reporting on the use of proceeds and the projects benefits (outputs and impacts)

The Green Bond framework issuance is evaluated by Vigeo Eiris according to the Voluntary Process Guidelines issued by the Green Bond Principles (GBP), to its alignment with the UN Sustainable Development Goals, and to international standards and sector guidelines applying in terms of ESG issues

Issuer

- ESG credibility and coherence, supported by the depth of our ESG research.

The Issuer performance is evaluated by Vigeo Eiris according to our evaluation methodology, based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organised in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. The evaluation framework is customised regarding material issues, based on the issuer assessment framework, local specificities and emerging issues.

What are we talking about
Examples of sustainable bonds issuances

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EDF – €1,75bn – October 2016

- Largest overall corporate green bonds since 2013.
- Aimed at financing renewable energy projects.

Unibail Rodamco – €1bn – April 2015

- 1st green bond in the Real Estate sector
- Aimed at financing green building (construction and operation).

ICO– $1bn – Jan 2015

- Social bond, aimed at maintaining or creating employment in the most economically depressed regions in Spain, through financing of SMEs

DC Water – €2,5bn – September 2015

- Aimed at financing the DC Clean Rivers Project.

Region IDF – €650m – April 2016

- Aimed at financing environmental and social projects (social housing, social action, SMEs, energy,…).

Elazig PPP Hospital –€288m– November 2016

- Green & Social Bond, aimed at financing a new Turkish Hospital, with both environmental and social objectives

What are we talking about
Principles and Benefits

A sustainable bond is a bond aimed at (re)financing sustainability related projects.

It is an innovative financial instrument that :

- Fosters **diversification** of the **investor** basis.
- **Boosts innovative sustainable projects**.
- Offers an impactful **communication opportunity**.

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Vigeo Eiris, building solutions to make it happen

Why Vigeo Eiris ?

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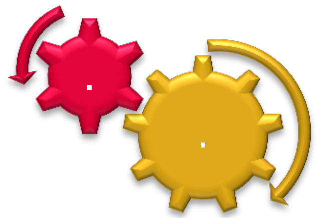
Diversified and flexible offer with 360 degree approach

- Intertwined and complementary **Environmental, Social and Governance** factors
- Customised evaluation framework based on our 41 sector sub-frameworks, selecting and weighting the most **relevant objectives for long-term impacts**
- Capitalization on **Vigeo Eiris Research**, including rated profiles, indicators, controversy database and controversial activities screening
- **Coherence of the issuance**, assessing the alignment between the sustainable bond issuance and the issuer’s strategy and commitments, including analysis of **stakeholders feedback**



Vigeo Eiris, building solutions to make it happen
Why Vigeo Eiris ?

Leadership and credentials

- Numerous **Sustainable Bonds** track records (21% of market shares in 2016)**,** allowing us to develop **expertise and flexibility** on that market
- Pioneer and active participation to market and standards development, especially the **Green Bonds Principles**
- **Internationally recognized** promoter of sustainable performance
- Vigeo Eiris is an approved verifier for the **Climate Bond Initiative**

Dual expertise for the benefit of issuers

- **Combining both expertise:** Vigeo Eiris Rating unique expertise in the SRI market and Vigeo Eiris Enterprise sustainability consulting business
- Tailored approach and on-site consultancy (not desk based only), Vigeo Eiris Enterprise, our **independent audit division**, is the right company structure to deliver the services.
- Mobilization of all Vigeo Eiris's internal resources as appropriate, while following **clear separation of activities**
- **Independence, quality and confidentiality**
  - Mapping of **potential risks** throughout the workflow: conflict of interest, violation of confidentiality and lack of independence
  - **Prevention measures** in place: internal commercial and production rules and processes, limited number of involved people identified as "Insiders", quality control and validation process, transparency on relations between Vigeo Eiris and the Issuer in the SPO disclaimer.

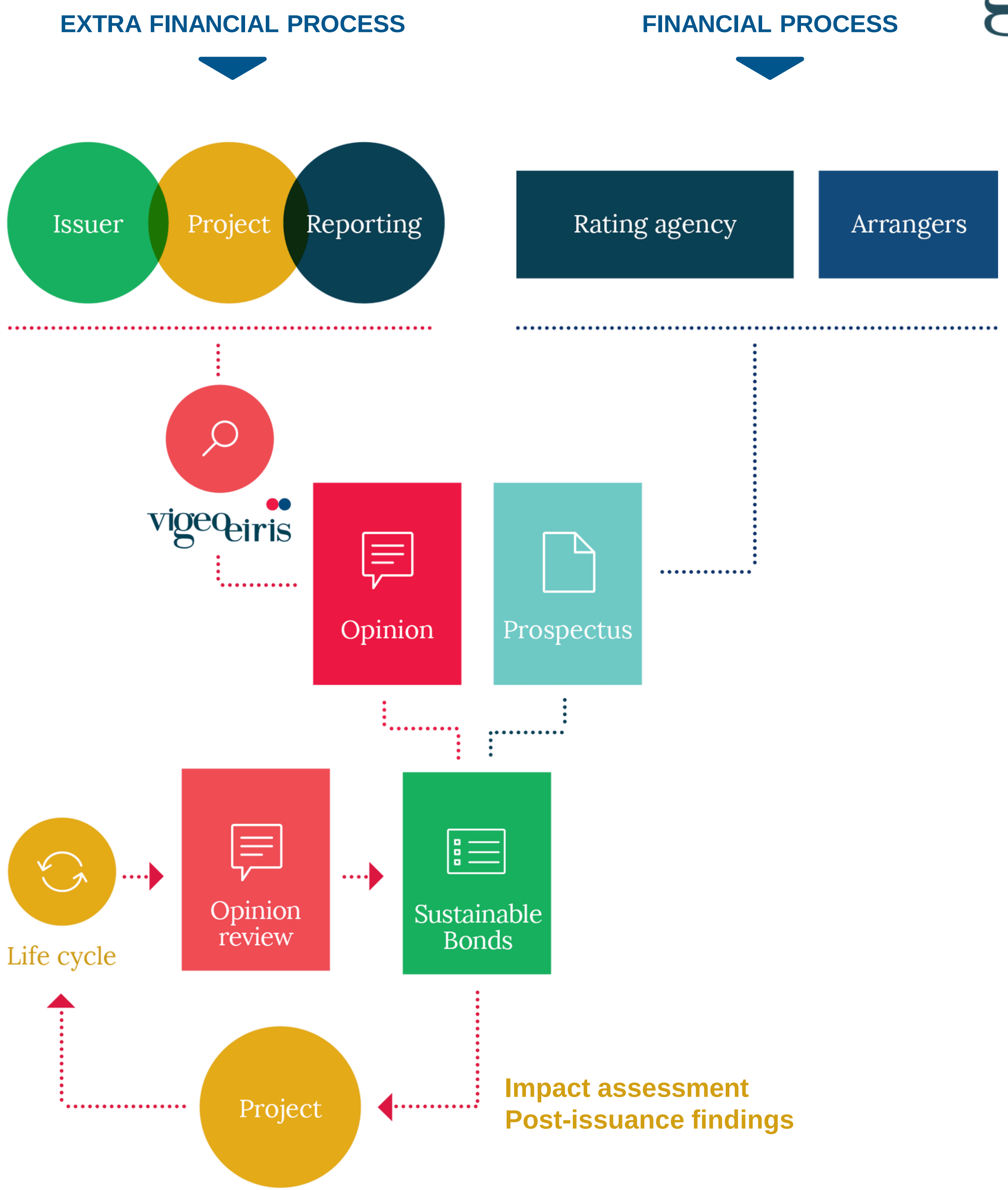
Vigeo Eiris, building solutions to make it happen

Who does what ?

Credibility & Coherence

Governance & Transparency

Objectives & impact assessment



Impact assessment
Post-issuance findings

How to succeed ?

Vigeo Eiris' solutions - Overview

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Vigeo proposed services are formed through distinct steps which form a **cohesive set of deliverables**, to **manage the issuance process** and the **targeted projects efficiently**, and ensure an **impactful communication**

Sustainable Bonds

(RE)FINANCING SUSTAINABILITY RELATED PROJECTS.

Deliverables

GREEN BOND PRINCIPLES

Identifying suitable projects

Projects

Evaluation and Selection framework assessment (use of proceeds, process for projects evaluation and selection and management of proceeds) and project(s) assessment (if already selected)

Bond framework evaluation

Measuring and communicating on the outcomes of projects

Reporting

Reporting & monitoring framework review and/or project outcomes measurement (performance and results)

Reporting Framework and KPIs review

Demonstrating issuer ESG level

Issuer

Evaluation of ESG performance and analysis of ESG controversies

Sustainability Profile

VIGEO EIRIS' OPINION

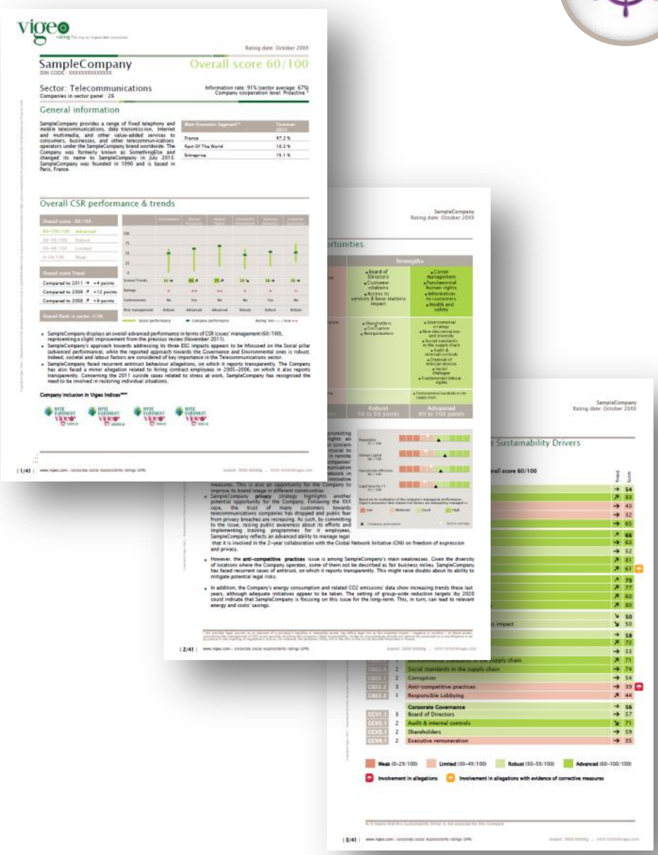
How to succeed ?
Vigeo's solutions - deliverables

3 deliverables to manage the issuance process and the targeted projects efficiently, and ensure an impactful communication.

Opinion

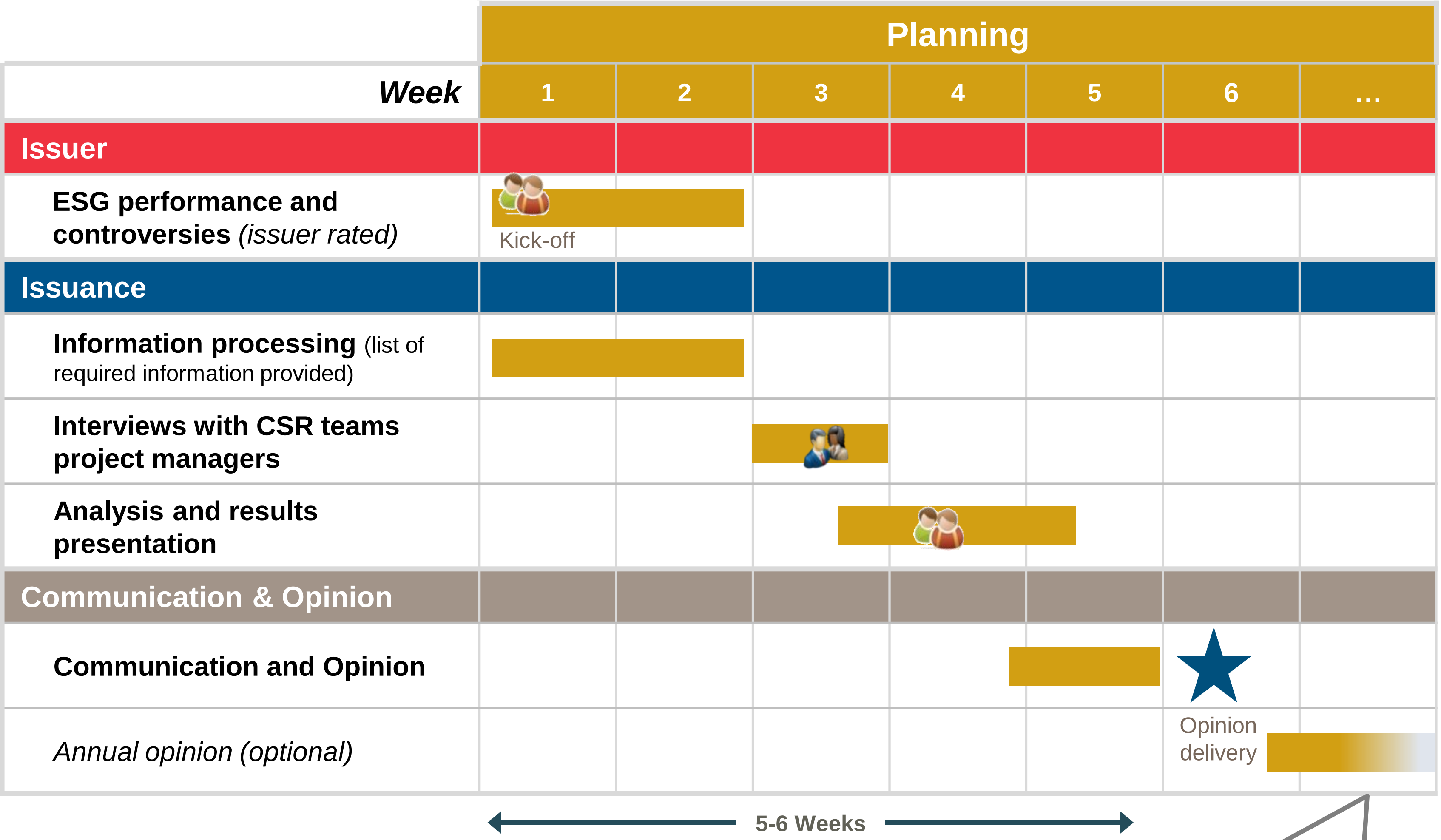
Internal report on the Green Bond Framework

Issuer CSR Profile



How it works
Process and approximated time needed

Proposed planning: each second party opinion can be provided in an **around 5-6 weeks** time frame



Review on the bond maturity: *Frequency of the opinion review is determined with the issuer.*

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From Vigeo Eiris

- **A team of 3 people**
  - A senior consultant, with expertise in Environmental Engineering and sustainable bonds : **project manager** to ensure successful production of the deliverables and in charge of client relations
  - A **consultant** with expertise in CSR Company evaluation, environmental issues and green bonds, in charge of conducting the mission.
  - A director of mission, supervisor in charge of the overall **quality control**
- **Our full team expertise, tools and resources available for you**
  - The project team will mobilize Vigeo Eiris's internal resources as appropriate (sector lead, thematic experts, databases of research, monitoring tools,…) to support the project.

From the issuer

- **Liaison**
  - The issuer designates a person who will be the central contact for Vigeo Eiris throughout the mission (e.g. Group's sustainability officer or member of the bond working team).
- **Interview Panel**
  - Around 3 interviewees designated by the issuer with guidance from Vigeo Eiris. Interviewee preparation is not required. Interview time: around 1 hour per interview. (Suggested interviewees include Project managers, Finance, Sustainability) *(to be defined)*
- **Working group**
  - Group composed of people chosen by the issuer with guidance from Vigeo Eiris. Participants to contribute in 2 meetings (kick-off and workshop) as part of the bond structuration process and collaboration. If necessary, additional meeting could be organized.

How it works

Proposed process and required data from the issuer

Step	Inputs	Outputs
Issuer	• ESG policies, guidelines and practices in place at issuer level (common for all projects) covering all domains assessed: Environment, Human resources, Human rights, Community Involvement, Business behavior and Governance • Response on potential ESG controversies	• Issuer ESG evaluation • Controversy analysis
Project	• Project categories and list of eligible projects: description, type of potential projects, location, progress, timing,… • Evaluation and selection process for eligible projects • Environmental management of projects: impact assessment, action plan, biodiversity study, certifications, green procurement, environmental specifications/ eco-design of projects… • Social management of the project (especially during the construction phase): health & safety management and rights of workers, employment conditions, social impact assessment, community involvement and territorial integration, access to energy… • Governance of the project: sustainability / ESG risk-management in place at project level, project organization and management, business ethics…	• Sector analysis and information review • Interviews and collaborative meetings • Evaluation of green bond framework
Management of proceeds	• Segregated account, tracking of proceeds, fund allocation process, estimated share of refinanced projects…	• Rules for management of proceeds
Reporting	• Available ESG KPI / Indicators on environmental performance of projects (production of energy, avoided emissions,…), assumptions and methodology • Reporting commitments : frequency, format (CSR report or dedicated report ?), visibility (public ?), external verification	• Indicators of Environmental & Social performance and ESG management • Environmental & Social outcomes indicators OR measurement • Rules for reporting
Communication to investors	• Communication materials	• Delivery of Vigeo Second Party Opinion • Review, guidance & proof reading of communication materials and Use of Proceeds

Contents

Opposable framework

International Standard

- Conventions, Recommendations, Declarations, Guidelines from the UN, ILO, Global Compact, OECD, etc.

Risk factors

- Categorisation of social responsibility objectives into managerial action principles
- Sector-based risk approach

38 evaluation criteria

- 7 domains* of analysis representing the different interests of different stakeholders, divided into 38 activated criteria, weighted according to sectorial issues

* Human Rights, Human Resources, Environment, Clients and beneficiaries, Fair operating practices, Community Involvement, Corporate Governance

More about Vigeo Eiris
Track records

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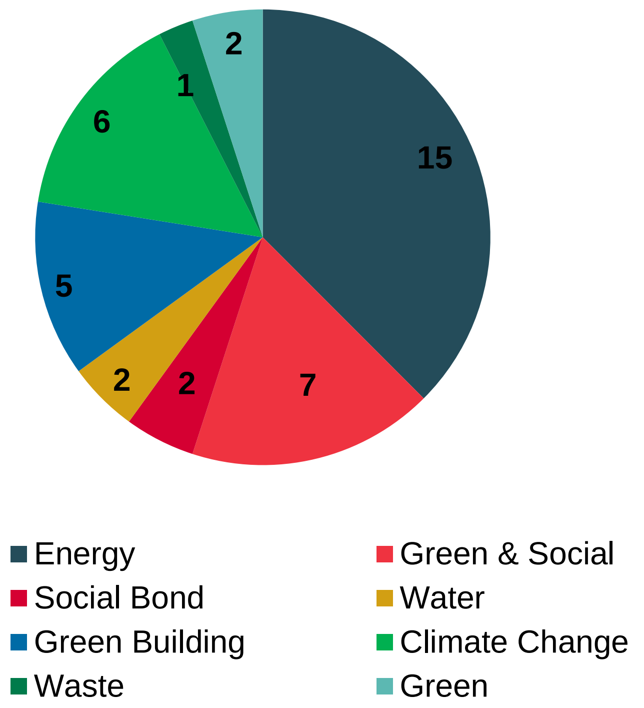
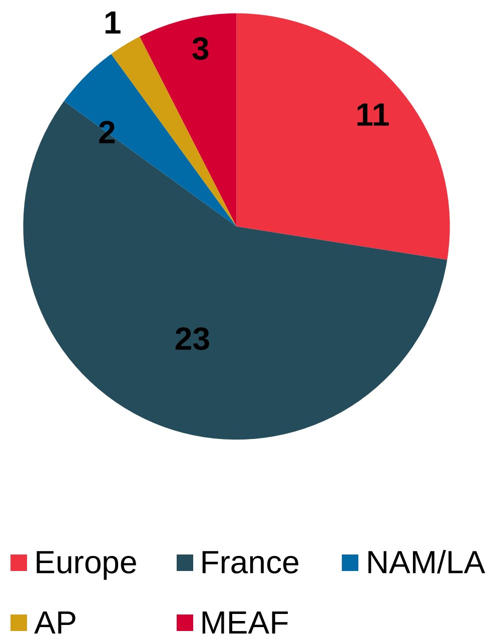
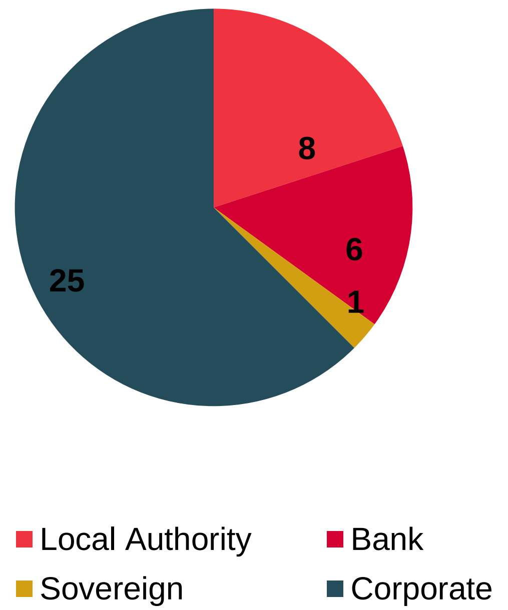
Use of proceeds
Multi-sector expertise



Location of issuers
Multi-area experience



Types of actors
Issuer's model adaptation



More about Vigeo Eiris
Track records

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- Around 40 issuances
- More than 20 issuers

And additionnal confienditial missions in progress

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