



Evaluation Summary

Sustainalytics is of the opinion that the SFIL Group Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers clean transportation, sustainable wastewater management, pollution prevention and control, waste management, green buildings, renewable energy and energy efficiency to have positive environmental impacts and advance the following UN Sustainable Development Goals: (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (11) Sustainable Cities and Communities and (12) Responsible Consumption and Production.



PROJECT EVALUATION / SELECTION SFIL Group's internal process in evaluating and selecting projects is managed by the Green Bond Committee (GBC), which is comprised of Company Heads from market activities, funding & treasury, investor relations and middle office. The commercial teams of La Banque Postale provide proposed projects for green loans and SFIL Group verifies and validates the eligibility of these loans. The GNC oversees this process to ensure alignment with eligibility criteria. Sustainalytics views this process as aligned with market practice.



MANAGEMENT OF PROCEEDS SFIL Group's processes for management of proceeds is coordinated by the Treasury and Financial Markets division and is aligned with market practice. A green register will be established with a corresponding internal tracking system. Funds will be managed on a transactional basis, ensuring each transaction is allocated to a dedicated set of eligible loans. Pending full allocation, SFIL Group will manage unallocated proceeds in accordance with its treasury policy. If a loan becomes ineligible, SFIL Group will strive to remove and replace it as soon as practically possible.



REPORTING SFIL Group intends to report on impact and allocation proceeds on its website on an annual basis. The allocation report will include the total amount of allocated proceeds to the Green Loan Portfolio, the total number of loans in the portfolio, average lifetime, distribution by project categories, financing vs refinancing and unallocated amounts. In addition, SFIL Group is committed to reporting on relevant impact metrics. Sustainalytics views SFIL Group's allocation and impact reporting as aligned with market practice. Sustainalytics further bonds that SFIL Group intends to have third-party verification of its allocation reporting, which is considered best practice.

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SFIL Group Green Bond Framework

Introduction

SFIL Group (“SFIL” or the “Group”) is a French local government and export financing agency. SFIL Group provides financing for long dated funding for French local public sector investments. SFIL is a 100% publicly owned, fully regulated financial institution overseen by the European Central Bank (ECB).

SFIL Group has developed the SFIL Group Green Bond Framework (the “Framework”) under which it intends to issue multiple green finance instruments and use the proceeds to finance/refinance, in whole or in part, existing/future projects that are aimed at improving French social infrastructure and environmental protection through a number of activities ranging from improving transportation, sustainable water and wastewater management, waste management, energy efficiency, and climate adaptation. The Framework defines eligibility criteria in the following areas:

1. Territorial mobility and soft urban transport
 - a. Clean Transportation
2. Sustainable Water and Sanitation Management
 - a. Sustainable water and wastewater management
 - b. Pollution prevention and control
 - c. Climate change adaptation
3. Waste Management and Valuation
 - a. Pollution prevention and control
4. Energy efficiency of construction and urban development
 - a. Energy efficiency
 - b. Green Buildings
5. Renewable energy

SFIL Group engaged Sustainalytics to review the SFIL Group Green Bond Framework dated September 2019 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2018 (GLP).² This Framework has been published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of SFIL Group’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of SFIL Group’s Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the SFIL Group Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the Loan Market Association and are available at https://www.lma.eu.com/application/files/9115/4452/5458/741_LM_Green_Loan_Principles_Booklet_V8.pdf

³ The SFIL Group Green Bond Framework is available on SFIL’s website at: <https://sfil.fr/en/investors/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the SFIL Group Green Bond Framework

Sustainalytics is of the opinion that the SFIL Group Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics highlights the following elements of SFIL Group's green bond framework:

- Use of Proceeds:
 - SFIL Group intends to provide financing/refinancing to local government projects, pure play local authorities (public water and waste management) and activities in France related to clean transportation; sustainable water and wastewater management, pollution prevention and control, and climate change adaptation; green buildings, energy efficiency; and renewable energy. These project categories are aligned with the GBP and GLP and viewed by Sustainalytics as credible and impactful.
 - SFIL Group intends to finance fully electric vehicles and related infrastructure, non-electric bicycles and bike paths and mass transportation projects, including the acquisition of electric trains, buses, metros and their associated infrastructure. Sustainalytics positively notes the financing of carbon-free forms of transportation and the expansion of related infrastructure.
 - A variety of sustainable water and wastewater management and climate change adaptation projects will be financed as well as general purpose loans for CAPEX expenses. Sustainalytics positively notes that SFIL Group confirmed that only activities directly carried out by the public water agencies will be financed through the general-purpose loans, thus excluding activities outsourced to private companies. In addition, project finance includes improvements in the water supply network and infrastructure, including the development of water treatment plants and upgrading of equipment to reduce water loss through water transfer and distribution.
 - Waste management projects and activities, including waste reuse, recycling and reduction, and energy recovery technologies⁴ will be financed via public pure play companies that are solely dedicated to waste management. While Sustainalytics notes that SFIL Group includes the financing of landfill activities, they will be limited to those plants with gas collection. Waste incineration is excluded from eligibility and the company intends to finance waste to energy projects including biomass gasification. Given the potential high emissions related to waste to energy projects (up to 600 kg CO₂/tonne of waste processed)⁵, Sustainalytics regards the lack of an emission threshold to be a potential limitation; this criterion would be strengthened by providing robust and transparent reporting data on life-cycle emissions of waste-to-energy projects.
 - SFIL Group will provide financing for the new construction of green buildings that align with one of the following criteria:
 - Compliant with Nearly Zero-Energy Buildings (NZEB)⁶ standard for France
 - Have one of the following certifications: LEED Gold or above, HQE Excellent or above, BREEAM Very Good or above; BePOS, E+/C-, BBC Effinergie +, BBCA, HPE, THPE
 - Belong to the top 15% of the most energy efficient buildings, which is determined by Le diagnostic de performance énergétique (DPE) "A" rated buildings.

Sustainalytics has reviewed these certification schemes and has confirmed that each of these labels demonstrate energy efficiency gains above and beyond France's most recent thermal regulation, RT2012, and has included an assessment in Appendix 1. While Sustainalytics notes

⁴ Landfill gas collection, anaerobic digestion, waste-to-energy and biomass gasification.

⁵ Waste Management World, "Waste to Energy: The Carbon Perspective", (2015), at: <https://waste-management-world.com/a/waste-to-energy-the-carbon-perspective>

⁶ NZEB is an EU standard that is applied by each member state. In the case of France, the benchmark for minimum building energy efficiency requirements is tied to the French Energy Efficiency Standard RT2012, which sets an energy efficiency threshold of 50kWh/m² for all new buildings. The French DPE "A" label, which represents the top 11% of public buildings, requires buildings to meet an energy efficiency threshold of 0-50kWh/m². As such, the NZEB standard aligns with the top 15% of most energy efficient buildings. Supporting documents were provided directly to Sustainalytics from SFIL Group.

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- that DPE “A” rated buildings that belong to the top 15% are aligned with RT2012 but may not exceed the regulation, this eligibility criteria is deemed credible and impactful.
- In addition to financing the new construction of buildings, SFIL Group will provide financing for the installation of energy efficient technologies (e.g. HVAC, LED lighting, insulation) and for the major renovation of buildings that either: result in the achievement of one of the environmental certifications mentioned above, meet the NZEB standard for France, or result in at least 30% energy consumption savings. Sustainalytics positively notes the establishment of minimum energy efficiency threshold gains for energy efficient technologies (20%) and major renovations (30%), which is aligned with market practice.
 - Renewable energy projects will include onshore and offshore wind, solar, geothermal power plants, hydropower plants and biomass plants aligned with French environmental criteria. Sustainalytics positively notes SFIL Group’s exclusionary criteria for hydropower plants >25MW, and geothermal plants with emissions >100g CO₂-e/kWh. While Sustainalytics notes the lack of an emissions threshold for biomass plants as a limitation, the biomass plants financed by SFIL adhere to ADEME guidelines, which outline the different types of potential biomass feedstocks and their associated emissions profile. The majority of biomass feedstock in France comes from residual wood,⁷ which Sustainalytics considers a sustainable feedstock if sourced in a responsible manner, i.e. not derived from land with current or high biodiversity. Sustainalytics additionally notes that emissions created through transport of biomass can have significant contribution to the overall life-cycle emissions.⁸ As of 2018, France sourced approximately 55-64% of biomass feedstocks for energy generation from French forests and has ambitions to increase local feedstocks to 86-96% by 2030. Sustainalytics encourages SFIL Group to ensure that financed biomass plants align with a 100gCO₂/kWh emissions threshold and, when not practically feasible, to provide transparent reporting on carbon emissions data.
 - SFIL Group has a lookback period to 2013 and intends to provide investors with detailed information on the lookback period for individual bond issuances.
- Project Evaluation and Selection:
 - Green loans to French local authorities are originated by La Banque Postale and then transferred to SFIL Group to be financed/refinanced through the issuance of green bonds. After evaluation of the project against eligibility criteria, SFIL’s GBC determines final eligibility of the proposed projects and monitors the overall project evaluation and selection process. The GBC will meet bi-annually to review projects and remove/replace where needed. Sustainalytics views this process as aligned with market practice.
 - Management of Proceeds:
 - SFIL Group intends to establish an internal system to track allocation of proceeds and has developed a register to monitor the “Eligible Green Loans”. Each transaction will be allocated to a dedicated set of Eligible Green Loans, which will then be flagged to a specific Green Note, which will remain associated to the specific issuance until full maturity. Pending full allocation, unallocated proceeds will be managed in accordance to SFIL Group’s treasury policy. If projects become eligible, SFIL Group will strive to remove the loan from the register and replace it as soon as practically feasible.
 - Reporting:
 - On an annual basis, until full allocation of proceeds, allocation and impact reporting will be made available to investors on the SFIL Group website. For allocation reporting, the following will be included: the total amount of proceeds allocated to each Green Bond by Eligible Green Loan category; the total number of Eligible Green Loans associated with each Green Bond; average lifetime of the loans; the amounts of financing vs refinancing; the total amount of unallocated proceeds and, when possible, the types of temporary investments. SFIL Group will hire a third-party to verify allocation of net proceeds to the green portfolio and compliance of loans financed by the Green Bond proceeds with the procedures and processes outlined in the Framework, which Sustainalytics views as a best practice approach.
 - For impact reporting, SFIL Group will strive to report annually until full allocation on the environmental impact of financed activities. However, the Group acknowledges that as it will be

⁷ ADEME, “Wood energy and air quality”, (2019), at: <https://www.ademe.fr/expertises/energies-renouvelables-enr-production-reseaux-stockage/passer-a-l'action/produire-chaaleur/dossier/bois-biomasse/bois-energie-qualite-lair>

⁸ PhysOrg, “Wood pellets: Renewable, but not carbon neutral”, (2018), at: <https://phys.org/news/2018-03-wood-pellets-renewable-carbon-neutral.html>

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working with many underlying loans, the amount of detail may be limited, and information may be presented in generic terms or on an Eligible Green Project category basis. Furthermore, SFIL Group strives to align its reporting with reporting templates as suggested by the EU Green Bond Standard and the Harmonized Framework for Impact Reporting.⁹ Sustainalytics notes that this impact reporting process is aligned with market practice.

Alignment with Green Bond Principles 2018 and Green Loan Principles 2018

Sustainalytics has determined that SFIL Group's Green Bond Framework aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics notes that the GBP and GLP prefer project-based lending and financing. Sustainalytics notes that, in accordance with French budget laws for local authorities, only capital expenditures (CAPEX) can be financed and operational expenditures (OPEX) are excluded from eligibility.¹⁰

For detailed information please refer to Appendix 2: Green Bond/Green Loan Programme External Review Form.

Section 2: Sustainability Strategy of the Issuer

Contribution of framework to SFIL Group's sustainability strategy

The financing of green and social investments by French local authorities is a fundamental part of SFIL Group's public policy mission. Given the role that local government plays in facilitating social and environmental sustainability and considering SFIL Group's position as a leading financial provider, Sustainalytics views SFIL Group's issuance of green financial instruments as an important contribution to French national sustainability efforts.

As such, Sustainalytics is of the opinion that SFIL Group is well-positioned to issue green finance instruments that will facilitate improved social infrastructure and environmental protection, thus contributing to the transition to a low-carbon economy.

Well positioned to address common environmental and social risks associated with the projects

Sustainalytics notes the overall importance of the activities that will be financed under this Framework and their contribution towards sustainability. However, it is important to consider that, as with any large-scale infrastructure projects, common potential environmental and social risks must be mitigated to prevent any unintended negative outcomes. For example, worker health and safety issues, environmental damage,¹¹ and stakeholder engagement all must be addressed appropriately. While SFIL Group is not directly responsible for carrying out the activities that will be funded under the Framework, Sustainalytics highlights below some of the regulations that are relevant in the French national context that contribute to mitigate the named risks.

- The French Environmental Code outlines the regulations for environmental protection.¹² Aligned with EU requirements, the Code contains acts and decrees related to the environment, including rules concerning the preservation of natural resources, monitoring of hazardous activities, environmental assessments and stakeholder consultation on projects.¹³ The French Environmental Code applies the precautionary principle,¹⁴ the principle of preventive and corrective action,¹⁴ the polluter pays principle ensuring environmental risks are mitigated. In addition, the code includes rights for stakeholder participation,¹⁵ which states that citizens are entitled to be informed of any activities that may have an impact on the environment and their livelihood and to issue observations in regard to decisions being made that may impact the environment. Enforcement of regulatory requirements is carried out on the national level by the Ministry for Ecological and Inclusive Transition.¹²

⁹ International Capital Markets Association, "Harmonized Framework for Impact Reporting", (2019), at: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

¹⁰ Republique Francaise, "Principes du recours à l'emprunt", (2018), at: <https://www.collectivites-locales.gouv.fr/principes-recours-a-lemprunt>

¹¹ Pollution, construction waste, land-use change, greenfield development, biodiversity loss, etc.

¹² ICLG, "France: Environment & Climate Change Law 2019", (2019), at: <https://iclg.com/practice-areas/environment-and-climate-change-laws-and-regulations/france>

¹³ Thomson Reuters Practical Law, "Environmental law and practice in France: overview", (2015), at: [https://uk.practicallaw.thomsonreuters.com/7-503-4572?transitionType=Default&contextData=\(sc.Default\)&firstPage=true&bhcp=1](https://uk.practicallaw.thomsonreuters.com/7-503-4572?transitionType=Default&contextData=(sc.Default)&firstPage=true&bhcp=1)

¹⁴ Soto, M., "General Principles of International Environmental Law", (1996), at: <https://core.ac.uk/download/pdf/51089370.pdf>

¹⁵ UNEP, "Principles for Stakeholder Engagement", (2017), at: <http://www.uneval.org/document/download/2790>

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- Moreover, the activities that will be financed under this Framework are required to have a social and environmental impact analysis by BPI France Assurance Export, the results of which are made publicly available. The purpose of which is to ensure that financed projects are in line with French regulations and relevant international standards.
- The Ministry of Labour is responsible for development and implementation of French occupational health and safety policy and manages cooperation with social partners in the Steering Committee on Working Conditions.¹⁶ French law requires employee representation on health and safety issues.¹⁷ In the case of the private sector, French legislation places responsibility of worker health and safety on employers, which is provided through the establishment of a Social and Economic Committee (CSE) within the company, a single body covering all areas where employees have representation rights. In the public sector, a separate health and safety committee (CHSCT), is responsible for worker health and safety issues.

Based on the above, Sustainalytics is of the opinion that SFIL Group is well-positioned to deliver Green Bonds and Green Loans.

Section 3: Impact of Use of Proceeds

All five use of proceeds categories are recognized as impactful by GBP and GLP. Sustainalytics focuses on three below where the impact is specifically relevant in the local context.

Importance of sustainable water and wastewater management in France

According to the European Commission, the EU has experienced increased frequency and severity of droughts over the past four decades.¹⁸ As of 2015, at least 11% of the EU was experiencing year-round water scarcity and 23% of the population experiencing scarcity in the summer, with predictions of these numbers rising to 30% - 45% by 2030.¹⁸ Although in France, the amount of water withdrawal is slightly less than the EU average and has decreased in recent years due to reduction in industrial consumption, improvements in water-saving technologies and more efficiency water distribution systems, the country continues to make efforts to reduce losses from water withdrawal and distribution. The country's two primary adaptation strategies to further reduce water withdrawal include a 40% reduction of per-household use and a 16% - 20% reduction of distribution leakage compared to a 2006 baseline.¹⁸ Through financing of local government projects that improve the efficiency of the water supply network/infrastructure and reduce water losses in transfer and distribution, the Group plays an important role in water withdrawal reduction.

Further, under the EU Water Framework Directive (WFD), EU countries committed to policy to attain 'good status' of groundwater and surface waters, which refers to ecological status¹⁹ and chemical status.²⁰ The targets in France have been set to an achievement of 87.6% by 2021 and 99.5% by 2027 and, while the country has been making progress towards these goals,²¹ there is a clear need for increased efforts to attain its goals. By financing local government projects related to wastewater management and sanitation, SFIL Group will contribute to the country's efforts to achieve a good chemical and ecological status of surface and groundwater.

Based on the above, Sustainalytics positively views SFIL Group's financing of local government water and wastewater projects as making an important contribution to France's climate goals, sustainable wastewater management and pollution prevention and control.

Importance of coastal climate adaptation

¹⁶ OSHA, "France", (2019), at: <https://osha.europa.eu/en/about-eu-osha/national-focal-points/france>

¹⁷ Worker Participation, "France: health and Safety Representation", (2018), at: <https://www.worker-participation.eu/National-Industrial-Relations/Countries/France/Health-and-Safety>

¹⁸ BIPE-FP2E, "Public Water and Wastewater Services in France", (2015), at: http://www.fp2e.org/userfiles/files/publication/RAPPORT_BIPE_GB_ENTIER.pdf

¹⁹ Ecological status is assessed according to biological criteria (macrophytes, fish life and other forms of aquatic life) and physical-chemical criteria (nitrogen, phosphorus, temperature, pH, etc.). Good ecological status is generally achieved if the water body has not been significantly altered by human activity.

²⁰ Chemical status is assessed based on concentrations of 41 priority chemicals (as identified at EU level). Good chemical status is achieved if these concentrations are below specific limits. Regarding groundwater, 'good overall status' means good chemical status combined with good quantitative status. Chemical status hinges on concentrations of substances identified at the national level (heavy metals like lead, cadmium and arsenic) and at EU level (nitrates, ammonium, pesticides, etc.). Good quantitative status is achieved if the natural rate of replenishment of groundwater is not exceeded by the rate of withdrawal.

²¹ EAU France, "The status of surface water and groundwater", (2015), at: https://www.eaufrance.fr/sites/default/files/2018-06/evaluation_2010-2013_201506_EN.pdf

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Out of France's 26 administrative regions, 15 are located along the coast, with a total of 8,245 km of coastline.²² All French coastal regions are exposed to some degree of erosion, and the sandy coasts, which account for 30% of French coastline, are the most at-risk. France is recognized as one of the countries in Europe that has the highest frequency of droughts. Moreover, French coasts are home to a variety of natural habitats, including important wetlands areas, which provide important eco-system services and are under threat from climate change.²² Because French law delegates the responsibility of coastal protection to private ownerships and local governments, it is important to provide access to resources that will help these communities invest in climate adaptation measures.²² As such, SFIL Group's financing of coastal protection is an important component for adapting to climate change.

Improving waste management in France

As of 2014, 26% of France's municipal solid waste (MSW) was landfilled and 39% recycled,²³ compared to four years prior in 2010 when landfilled MSW accounted for 40%²⁴ and 36% was recycled, demonstrating that the country is improving its waste management systems. However, the country is still falling short of the EU targets for MSW of 60% recycling and reuse by 2025 and 65% by 2030.²⁴ Landfills are a large contributor of methane gas emissions, the most potent GHG emission,²⁵ and account for approximately 11% of global anthropogenic methane emissions. They also contribute to smog, air pollution and, in some cases, water pollution.²⁶ Reducing methane release and other pollution from landfills through energy recovery and waste avoidance, for example, can help to mitigate the impact of climate change.²⁷ The primary method for MSW disposal is incineration, which, as mentioned above, can generate a significant amount of air pollution; however, between 1995 and 2006 France was able to reduce emissions of dioxins to the air by more than 100-fold. France has been able to increase energy production from incineration by 30% from 2004 to 2012, while total MSW incinerated has only increased by 7%.²³ By financing projects supporting sustainable waste management ranging from improved collection and treatment, waste prevention/reuse/recycling and various types of energy recovery,²⁸ SFIL Group is facilitating important waste management and pollution prevention and control activities that will contribute to national climate goals. Moreover, Sustainalytics positively notes that SFIL Group's Framework includes exclusionary criteria for incineration without recovery.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This Framework advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Territorial mobility and soft urban transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Sustainable Water and Sanitation Management	6. Clean Water and Sanitation	6.2 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.
		6.3 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Waste Management and Valuation	12. Responsible consumption and construction	12.2 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

²² European Commission, "France: country overview and assessment", (2010), at:

https://ec.europa.eu/maritimeaffairs/sites/maritimeaffairs/files/docs/body/france_climate_change_en.pdf

²³ European Environmental Agency, "Municipal waste management across European countries", (2016), at:

<https://www.eea.europa.eu/themes/waste/municipal-waste/municipal-waste-management-across-european-countries>

²⁴ Columbia University, "Critical review of waste management in France", (2013), at:

http://www.seas.columbia.edu/earth/wtert/sofos/Lauriane_Joannic_thesis.pdf

²⁵ EPA, "Overview of Greenhouse Gases", (2017), at: <https://www.epa.gov/ghgemissions/overview-greenhouse-gases>

²⁶ Global Methane Initiative, "Global Methane Emissions and Mitigation Opportunities", (2011), at:

https://www.globalmethane.org/documents/analysis_fs_en.pdf

²⁷ Ensia, "Landfills have a huge greenhouse gas problem. Here's what we can do about it", (2016), at: <https://ensia.com/features/methane-landfills/>

²⁸ E.g. landfill gas collection, anaerobic digestion, waste-to-energy, biomass gasification, mechanical biological treatment.

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Energy efficiency of construction and urban development	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Conclusion

The SFIL Group Green Bond Framework will advance the national French and European sustainability agenda by investing into territorial mobility and soft urban transport, sustainable water and sanitation management, waste management and valuation, energy efficiency of construction and urban development and renewable energy. SFIL Group has outlined a process for project evaluation and selection, management of proceeds and reporting commitments that are aligned with market practice. Based on the above, Sustainalytics is of the opinion that SFIL Group is well-positioned to issue green bonds and green loans and that the SFIL Group Green Bond Framework is credible, impactful and aligned with the Green Bond Principles 2018 and Green Loan Principles 2018.

Appendices

Appendix 1: Sustainalytics assessment of green building certification

	HQE	BREEAM	LEED

SFIL Group Green Bond Framework

Background	The Haute Qualité Environnementale or HQE (High Quality Environmental standard) is a standard for green building in France, based on the principles of sustainable development first set out at the 1992 Earth Summit. The standard was launched in 2005 and is controlled by HQE and certificate is issued by Cerway/ Certivea/ Cerqual.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Pass Good Very good Excellent Exceptional	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum
Areas of Assessment: Environmental Project Management	Global management system	Management (Man) addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.
Areas of Assessment: Environmental Performance of the Building	Energy Environment (Site, Components, Worksite, Water, Waste, Maintenance) Comfort (Hydrothermal, Acoustic, Visual, Olfactory) Health (Spaces quality, Air Quality, Water Quality) Principles of Equivalence	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority
Requirements	Prerequisites (independent of level of certification) + Points-based performance level: Performing and High Performing The Prerequisite level is obtained when all the minimum requirements for a target are met, while the Performing and High Performing levels are obtained based on a percentage of points given per target, allowing for flexibility. Based on the total number of stars obtained per area, an overall HQE level is then given. Environmental certificates are assigned at all stages of the building life cycle, and on-site audits are required.	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item ¹⁸ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).
Performance display			
Accreditation	HQE Construction Certification Referent HQE Operations Certification Advisor	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor	LEED AP BD+C LEED AP O+M

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Qualitative considerations	HQE certification has the greatest number of targets concerning individuals. The "Comfort" and "Health" related themes are the most developed in this scheme. The HQE scheme recognises European and international standards (the ISO and ASHRAE standards).	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus. BREEAM certification is less strict (fewer minimum thresholds) than HQE and LEED certifications.	Widely recognised internationally, and strong assurance of overall quality.
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	BePOS ²⁹	E+C- ³⁰	BBC Effinergie + ³¹	BBCA
Background	This label was born during the BE POSITIVE meeting of the BLUEBAT energy fair in Lyon. During this show, the collective Effinergie is the body that controls the energy labels applied to real estate in France. It was created following the recent RT 2012 law put into effect at the beginning of 2013, which aims to reduce the energy expenditure of new buildings by imposing infiltrometric tests. However, this label goes further and anticipates the future thermal regulation to 2020. A regulation that should require buildings to have an overproduction of energy compared to their consumption, hence the name BEPOS for positive energy building.	The E+C- certification label indicates the use of best practices established for buildings with high energy and environmental performance levels. The E+C- is jointly composed of an Energy factor (evaluated via the "BEPOS" rating indicator) and a Carbon factor (evaluated via the "Carbon" indicator). In order to account for the specific features of different building types, localities and costs incurred, buildings may achieve one of 4 possible performance levels for Energy and one of two possible levels for Carbon.	The French BBC Effinergie® label is intended to identify new buildings or parts of buildings that comply with new very low energy requirements that contribute to achieving the 2050 targets. The reference values are defined by the EFFINERGIE® association and include, for example, a "maximum consumption target for new residential constructions of 50 kWh/m ² /year"	The BBCA label certifies the exemplary nature of a building in terms of carbon footprint. It concerns the New building or the Renovated building.
Certification levels	There are four possible performance levels for positive energy buildings. The "Energy 1", "Energy 2" and "Energy 3" levels show progress in the improvement of the building's energy efficiency and use of renewable heat and electricity: The first two levels, "Energy 1" & "Energy 2" indicate an improvement on the requirements of existing energy efficiency standards (RT2012). Their implementation should lead to improved building performances via cost-effective measures, either through energy efficiency measures or the use of renewable energy (particularly heat energy) to meet the building's needs.	Energy: 4 levels (thresholds) of performance identified. E+C- considers all building uses (including "other uses" - common areas, elevators, car parks...). It goes further than RT2012, which was based only on five uses (heating, domestic hot water production, cooling, lighting, auxiliaries). Energy (E+) The first two thresholds, "Energy 1" and "Energy 2", imply an improvement in energy performance at a controlled cost, through energy efficiency measures or measures linked to renewable heat.	Certified	BBCA standard: is awarded to buildings that make real efforts to limit their overall emissions both on the construction phase and on the exploitation and which can integrate the carbon storage in their constructive systems. BBCA performance: values buildings that make extra efforts compared to BBCA Standard on construction and operation. Climate Innovation points also contribute to achieving this level BBCA excellence: values buildings that make particularly important efforts and go beyond the BBCA performance level. This is excellence in terms of Low Carbon Construction.

²⁹ <http://www.batiment-energiecarbone.fr/en/performance-level-a24.html>

³⁰ <http://www.batiment-energiecarbone.fr/en/obtaining-the-certification-label-a25.html>

³¹ <http://www.projetvert.fr/labels-energetique/label-effinergie/>

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	<p>The “Energy 3” level represents an additional effort compared to the previous two levels. Achieving this level requires greater endeavor in terms of the energy efficiency of the building and its systems, as well as significant use of renewable energy sources, whether for electricity or renewable energy.</p> <p>Finally, the “Energy 4” level refers to a building with a flat or negative level of overall energy use, which contributes to the production of renewable energy for the local area.</p>	<p>Carbon (C-) The label takes into account the lifecycle GHG emissions, based on an average life span of 50 years. The “Carbon 1” and “Carbon 2” levels are made up of two thresholds each: GHG emissions over the entire lifecycle of the building (Eges) and a sub-threshold made up of emissions relating to construction products and equipment (Eges PCE).</p>		
Areas of Assessment: Environmental Performance of the Building	<p>Energy Environment (Site, Components, Worksite, Water, Waste, Maintenance) Comfort (Hydrothermal, Acoustic, Visual, Olfactory) Health (Spaces quality, Air Quality, Water Quality) Principles of Equivalence</p>	<p>Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation</p>	<p>Bioclimatic needs Energy consumption Air permeability Ventilation systems Evaluation of equipment energy consumption</p>	<p>Bioclimatic needs Energy consumption Air permeability Ventilation systems Evaluation of equipment energy consumption</p>
Requirements	<ul style="list-style-type: none"> the building must be subject to an assessment of the embodied energy and ecomobility potential; the building must comply with RT 2012 and the rules of the Effinergie + label, and must incorporate commissioning procedures to ensure that equipment operates. 	<p>The certification body responsible for awarding the E+C- label must carry out at least two compliance checks: one during the study phase and one during the site phase.</p>	<p>The BBC certification process must begin at the project design stage. At the end of the construction site, the certification body checks the adequacy in terms of conformity between the thermal study and the work done.</p> <p>To finalize the obtaining of the BBC label, it remains to realize the famous test of airtightness (or test label effinergie). This test must be performed by an authorized professional.</p> <p>If all the criteria are met, the organization will issue you the label and your habitat will be certified BBC-Effinergie.</p>	<p>The BBCA label is based on maximum reference carbon emission thresholds from which the avoided emissions expressed in kg CO₂ equivalent / m² of floor area are estimated.</p> <p>The data used are derived from the regulatory thermal calculation and a life-cycle Life Cycle Assessment (LCA) calculation supplemented by the evaluation of the stored biogenic carbon and the circular economy practices implemented.</p> <p>The BBCA V3.0 repository integrates the E + C- standard measurement methodology and completes it with key elements of low carbon construction.</p>
Performance display				

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Accreditation	Promotelec, Cequami, Cerqual Certivéa	Certivea Cequami Promotelec Cerqual Prestaterre	Certivea Cequami Promotelec Cerqual	Certivea Cerqual Prestaterre Promotelec
Qualitative considerations	The BEPOS Efficacité 2013 label was created with a specific objective, which is to govern and propose a precise definition of what a positive energy building is and how it will be implemented.			To meet the challenges of global warming, the national low-carbon strategy aims to achieve a four-fold reduction in greenhouse gas emissions by 2050. The building sector, the most emissive sector ahead of transport with 27% of emissions, must contribute significantly to this reduction in emissions. The low-carbon building is the future of construction, and the BBCA label is used to measure and enhance buildings with an exemplary carbon footprint.

	Haute Performance Energetique (High Energy Performance)	THPE (Very High Energy Performance)
Background	High Energy Performance (HPE) is a set of official French labels that reflect the energy, sanitary and environmental performance of a building in terms of its design and maintenance. It has several degrees and is eligible for subsidized financing, bonuses or tax benefits. The HPE label "High Energy Performance" and THPE "Very High Energy Performance" attests to the conformity of a building with a reference system integrating requirements of thermal regulation ("RT") and the respect of a level of energy performance higher than the regulatory requirement.	
Certification levels	Certified	Certified
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy Efficiency • Energy 	<ul style="list-style-type: none"> • Energy Efficiency • Energy
Requirements	<p>The HPE label can be awarded to buildings that have an energy consumption that is at least 10% lower than the reference consumption.</p> <p>The reference consumption refers to the "Reglementation Thermique" ("RT") in force by the time the building permit is issued. For instance, a building for which the construction permit has been issued between September 1st, 2006 and December 31, 2012, would have an HPE label referring to RT 2005. A building for which the construction permit has been issued since December 31, 2012, may obtain an HPE referring to RT 2012.</p> <p>This reference consumption has been an obligation for all new construction since 2005. To confirm consumption, an engineering office certifies it with the support of an airtightness test.</p>	<p>The THPE label is based on the same principle of compliance of HPE, with a set of building standards.</p> <p>However, conventional energy consumption must be 20% lower than the reference consumption (i.e: RT 2005 or 2012, depending on the issuance of the constructing permit, as explained for the HPE label).</p>
Performance display		

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Accreditation	Certivea Cequami Promotelec Cerqual
Qualitative considerations	The HPE/THPE label is a qualitative approach that integrates all activities related to the design, construction, operation and maintenance of a new building. These labels are not as robust as BBC/Effinergie in terms of requirements but are still considered to be credible and impactful certification labels.

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Appendix 2: Green Bond / Green Bond Programme - External Review Form Section 1. Basic Information

Issuer name:	SFIL Group
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	SFIL Group Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	4 September 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

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Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds are aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers clean transportation, sustainable wastewater management, pollution prevention and control, waste management, green buildings, renewable energy and energy efficiency to have positive environmental impacts and advance the UN Sustainable Development Goals: (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (11) Sustainable Cities and Communities and (12) Responsible Consumption and Production.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

SFIL Group's internal process in evaluating and selecting projects is managed by the Green Bond Committee (GBC), which is comprised of Company Heads from market activities, funding & treasury, investor relations and middle office. The commercial teams of La Banque Postale provide proposed projects for green loans and SFIL Group verifies and validates the eligibility of the loan. The GNC oversees this process to ensure alignment with eligibility criteria. Sustainalytics views this process as aligned with market practice.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

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- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

SFIL Group's processes for management of proceeds is coordinated by the Treasury and Financial Markets division and is aligned with market practice. A green register will be established with a corresponding internal tracking system. Funds will be managed on a transactional basis, ensuring each transaction is allocated to a dedicated set of eligible loans. Pending full allocation, SFIL Group will manage unallocated proceeds in accordance with its treasury policy. If a loan loses eligibility, SFIL Group will strive to remove and replace it as soon as practically possible.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

SFIL Group intends to report on impact and allocation proceeds on its website on an annual basis. The allocation report will include the total amount of allocated proceeds to the Green Loan Portfolio, the total number of loans in the portfolio, average lifetime, distribution by project categories, financing vs refinancing and unallocated amounts. In addition, SFIL Group is committed to reporting on relevant impact metrics. Sustainalytics views SFIL Group's allocation and impact reporting as aligned with market practice.

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Sustainalytics further notes SFIL Group intends to have third-party verification of its allocation reporting, which is considered best practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (<i>please specify</i>): Transaction by transaction approach (ensuring each transaction is allocated to a dedicated set of eligible loans) |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (<i>please specify</i>): Financing vs refinancing | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other (<i>please specify</i>): if data is lacking, impact reporting will be provided in generic terms or on an aggregated Eligible Green Project category basis |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> <ul style="list-style-type: none"> • Tons of CO₂-e avoided • Avoided greenhouse gas emissions per EUR 1k invested (tons of CO₂/kEUR) • Number of kilometers of wastewater network (added or renewed); • Increase of wastewater treatment capacity (%) • Increase in the percentage of household waste used for recycling and energy generation (%) • tCO₂e avoided / year linked to energy produced from waste • tCO₂e avoided/m²/year; • Reduction of energy consumption (kWh/year) |

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- tCO₂e avoided/m² refurbished;
- tCO₂e avoided/m²/year;
- Reduction of energy consumption (kWh/year)
- tCO₂e avoided/year;
- tCO₂ emissions avoided per financed MWh (TCO₂e/MWh)

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Annual report |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): SFIL Group intends to have a third-party verification of its annual allocation reporting. | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.

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- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

