Natixis Structured Green Notes framework

November 2017
Key features

- A simple & transparent structure
- Full alignment with Green Bond Principles
- Use of Proceeds - The net proceeds of the issuance of the Green Notes will be allocated to finance or refinance, in whole or in part, “Eligible Green Projects”.

Eligible Green Projects are defined in the Green Bond framework prepared by Natixis and made available on the Green Bond section of Natixis’ website, and include Renewable Energy Projects:
  - financed or refinanced by entities within the group;
  - which meet the Selection Criteria developed by Natixis and approved by an independent second party opinion provider;

Renewable Energy Projects means existing, on-going and/or future projects of conception, construction, operation and/or maintenance of renewable energy production units of energy produced from wind (on-shore and offshore), and/or solar power, and/or hydro projects.

- “Selection Criteria” refers both to the list of projects’ types and characteristics and to the list of environmental, social and governance (ESG) criteria which any project should comply with in order to be considered as eligible.

- A dedicated “Governance” has been set up internally to coordinate and monitor the green notes issuance programme.

- High ex-ante and ex-post external assurance processes:
  - VIGEO has been appointed as independent second party opinion provider of the Natixis’ green notes programme.
  - DELOITTE has been appointed as independent auditor to verify (i) the actual allocation of proceeds to Eligible Green Projects and their alignment with the Selection Criteria, and (ii) the pending cash allocation.
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USE OF PROCEEDS
Use of Proceeds

- **Use of Proceeds** - The net proceeds of the issuance of the Green Notes by Natixis (namely Natixis SA or Natixis Structured Issuance) will be allocated to finance or refinance, in whole or in part, “Eligible Green Projects”.

- Eligible Green Projects are defined in the Green Bond framework prepared by Natixis and made available on the Green Bond section of Natixis’ website, and include Renewable Energy Projects:
  - financed or refinanced by entities within the group;
  - which meet the Selection Criteria developed by Natixis and approved by an independent second party opinion provider;

- **Renewable Energy Projects** means existing, on-going and/or future projects of conception, construction, operation and/or maintenance of renewable energy production units of energy produced from wind (on-shore and offshore), and/or solar power, and/or hydro projects.

Projects’ selection will be submitted to the validation of a dedicated governance on the basis of a sustainability / environmental impact analysis (with a dedicated ad-hoc process for hydro projects).

- Eligible Green Projects may be funded or disbursed after the issuance of the Notes, and/or funded or disbursed during a maximum of three calendar years preceding such issuance.
PROJECTS ELIGIBILITY & SELECTION
Projects pipeline

Eligible project categories
Renewable Energy Projects

Responsible project management

ESG Selection criteria
- E&S risk assessment
- Client risk assessment (based on KYC\(^1\) and LAB\(^2\) definitions).
- Research of ESG controversies (sector, client, project) at project approval and / or legal authorization.

Selected Eligible projects
Validated by a Green Project Committee

\(^1\) KYC: Know your customer  
\(^2\) LAB: Anti money Laundering  
\(^4\) ESR: Environmental & Social Responsibility team
### Eligibility Framework 1/2

<table>
<thead>
<tr>
<th>Definition</th>
<th>Projects Eligibility criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Projects of conception, construction, operation and/or maintenance of renewable energy production units: energy produced from wind (on-shore and offshore), and/or solar power, and/or hydro projects</td>
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<tr>
<td>o Which meet the eligibility criteria</td>
<td></td>
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<tr>
<td>o Which are compliant with defined additional ESG selection criteria (cf next slide).</td>
<td>✓ Only renewable energy projects. A case by case sustainability analysis will be performed for large hydro projects (projects considered as compliant with the Equator Principles could be excluded)</td>
</tr>
<tr>
<td>✓ All greenfield* projects are eligible (agreed upon Equator Principles)</td>
<td>✓ Regarding brownfield projects, only projects located in “designated countries”** + projects in “non designated countries” which have undergone an independent Environmental &amp; Social assessment in line with the main principles of Equator Principles (“EP-like”)</td>
</tr>
<tr>
<td>✓ Project closing*** which had taken place in the last three years</td>
<td>✓ Only term loan facilities, of which only drawn amounts are considered eligible</td>
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<tr>
<td>✓ The sum of eligible assets allocated to each green note should at least match the face value of the note at the date of the annual rebalancing</td>
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</tbody>
</table>

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* Greenfield: new construction, including significant extension of existing facilities; Brownfield: refinancing of existing facilities with no or little extension.


The Equator Principles defined Designated Countries as countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. As of September 2017, the following countries are Designated Countries: Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Republic of Korea, Latvia, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States.

*** Project closing means the signing of the credit documentation and that’s when Natixis contractually commits to make the loan available to the borrower.
## Eligibility Framework 2/2

### ESG Selection criteria - Supporting elements and assessment documents

<table>
<thead>
<tr>
<th>Greenfield assets (new construction, including significant extension of existing facilities)</th>
<th>Brownfield assets (refinancing of existing facilities with no or little extension)</th>
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<tbody>
<tr>
<td><strong>Environmental impact mitigation:</strong> biodiversity, local disturbances from construction and exploitation phases, landscape</td>
<td>• Technical and legal reviews (including construction and exploitation permits)</td>
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<tr>
<td>• E&amp;S risk-management procedure, embedded in GIP’s internal loan approval process</td>
<td></td>
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<tr>
<td>• Natixis’ Equator Principles procedure</td>
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<tr>
<td>• Technical and legal reviews</td>
<td></td>
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<tr>
<td>• Impact assessment studies, especially E&amp;S requirements of project’s specification*</td>
<td></td>
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<tr>
<td>• Construction and exploitation permits (incl. ICPE file – when applicable)</td>
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<tr>
<td><strong>Local impact mitigation &amp; Stakeholders’ engagement and consultation</strong></td>
<td>• For projects located outside the “designated country list” (cf EP*), independent review including “Equator Principles-like” screening</td>
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<tr>
<td>• E&amp;S risk-management procedure, embedded in GIP’s internal loan approval process</td>
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<tr>
<td>• Natixis’ Equator Principles procedure</td>
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<tr>
<td>• Legal reviews</td>
<td></td>
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<tr>
<td>• Local impact assessment studies</td>
<td></td>
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<tr>
<td>• Construction and exploitation permits (incl. ICPE file – when applicable)</td>
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</tr>
<tr>
<td><strong>ESG due diligence process</strong></td>
<td>• Technical and legal reviews (including construction and exploitation permits)</td>
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<tr>
<td>• Construction and exploitation permits (incl. ICPE file – when applicable)</td>
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<tr>
<td>• Know Your Customer procedure &gt; Risk mapping on project shareholders (SPV members)</td>
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<tr>
<td>• Contractual clause demanding from sponsor to report any major change to operating conditions (notably legal proceedings from local communities)</td>
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<tr>
<td><strong>Business practices’ review: money laundering, corruption, conflict of interest</strong></td>
<td>• Know Your Customer procedure</td>
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<tr>
<td>• Compliance with LAB (anti-money laundering)</td>
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<tr>
<td><strong>Supplier’s audit: financial stability and product quality</strong></td>
<td>• Know Your Customer procedure</td>
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<tr>
<td>• Compliance with LAB (anti-money laundering)</td>
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<tr>
<td>• “Where Natixis has direct exposure to the suppliers, Project finance teams have a dedicated vetting process for suppliers develop their conclusion on the basis of recommendations from the Lenders’ Technical adviser.</td>
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</tr>
<tr>
<td><strong>Labour and human rights conformity and social requirements</strong></td>
<td>• Technical and legal reviews (including construction and exploitation permits)</td>
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<tr>
<td>• E&amp;S risk-management procedure, embedded in Natixis Project finance teams’ internal loan approval process</td>
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<td>• Natixis’ Equator Principles procedure</td>
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<tr>
<td>• Technical and legal reviews (incl. of contractual clause on respect of labour and human rights and social legal requirements regarding international (SPV contracts))</td>
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<tr>
<td>• For projects located outside the “designated country list” (cf EP*), independent review including “Equator Principles-like” screening Technical and legal reviews (incl. of contractual clause on respect of labour and human rights and social legal requirements regarding international (SPV contracts))</td>
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</table>
Projects eligibility & selection

Large Hydro adhoc analysis

- The restricted Green Committee will perform, on an adhoc basis, an additional sustainability analysis for all large hydro projects.

  ✓ For **Large Hydro projects**, the ESR team would perform an assessment on the basis of the 8 **IFC Performance standards**, completed with additional criteria from the **World Commission on Dam** and the **Safeguard Policy on Safety of Dams**.

  ESR team also invites clients to use a mapping and impact management tool from the **Hydropower Sustainability Assessment Protocol** (International Hydropower Association)

Les 8 IFC performance standards :
- ✓ 1 - Assessment and Management of Environmental and Social Risks and Impacts
- ✓ 2 - Labor and Working Conditions
- ✓ 3 - Resource Efficiency and Pollution Prevention
- ✓ 4 - Community Health, Safety and Security
- ✓ 5 - Land Acquisition and Involuntary Resettlement
- ✓ 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources
- ✓ 7 - Indigenous Peoples
- ✓ 8 - Cultural Heritage
Projects eligibility & selection

Governance

✓ A dedicated governance is created to confirm and monitor: 1/ the projects’ eligibility and selection; 2/ the allocation process; 3/ the reporting

✓ The dedicated governance will be mobilized ahead of each issuance and on an annual basis.

Groupe BPCE Green & Social Bond Committee

- Formal validation of the Group’s green & social bond issuance programme:
  ✓ Monitoring BPCE Group issuance green & social programmes and documentation
  ✓ Arbitraging green/social assets’ allocations between issuing entities of the group

Natixis Green project working group

- Identify the total portfolio of eligible projects based on the eligibility framework and residual maturity profiles → due to confidential reasons*, this task will be addressed by a restricted Green project working group, which will only communicate anonymised project data.
- Submit to Groupe BPCE Green & Social Bond Committee:
  1/ the outstanding eligible portfolio every year and ahead of each Natixis Green note project together with a project selection suggestion (ensuring the maintenance of an appropriate safety cushion).
  2/ once a year, a suggested allocation of an amount of underlying assets to each note at least equal to the note’s face value
- Coordinate the audit mission & ensure that all the relevant stakeholders are informed & involved in the audit process
- Coordinate the work for producing the annual dedicated reporting
- Validate the final version of the dedicated reporting

Participants

Restricted Green project working group

- Projects Origination
- Portfolio management
- Natixis Sustainability team

- Dealer MTN
- Treasury
- Green & Sustainable Hub**

* Subject to confidentiality agreements within the credit documentation
** Team in charge of Green & sustainable businesses within Natixis CIB
MANAGEMENT OF PROCEEDS
Management of proceeds

- Pending full allocation or reallocation (as the case may be) to Eligible Green Projects, NATIXIS will invest the balance of net proceeds not then allocated to Eligible Green Projects, at its own discretion, in cash or other liquidity instruments.

- Eligible projects will comply with Selection Criteria and be approved by the dedicated internal working group, the “Green project working group”

- Eligible Green Projects may be funded or disbursed after the issuance of the Notes, and/or funded or disbursed during a maximum of three calendar years preceding such issuance.

- In case assets become ineligible, Natixis commits to use the net proceeds to finance or refinance other Eligible Assets which are compliant with the Green Note framework.
  - Conditions of ineligibility: early reimbursement of the loan, loan’s maturity reached, loan sold, major controversy around a project to be studied on a case by case basis by the EGP Committee.

- NATIXIS has established systems to monitor and account for the allocation of the proceeds.
  - A “green flag” (including the ISIN code of the issuance) in its treasury internal system is introduced to identify the Green notes.
  - Before each issuance, a year-by-year forecast will be prepared by the Restricted Green Project Committee of eligible assets along the contemplated maturity of the issuance;
  - Based on the BPCE Groupe Green Bond committee decision, the proceeds will be allocated to Eligible Assets which will be identified and monitored by operational teams in a separate system. The matching between both systems will be made ahead of each issuance as well as annually.
  - The identification and monitoring of eligible facilities funding “eligible green projects” within Natixis loans systems have necessitated dedicated IT developments
Management of proceeds

**Target process**

1. Green bond issuance done by Natixis SA or Natixis Structured Issuance
2. Treasury collects net proceeds in order to finance or refinance green projects
   - Check before each issuance that a safety cushion of eligible assets is available beyond outstanding green notes
   - Introduction of a green flag in Long term treasury systems for eligible facilities
3. Net proceeds are allocated to existing, ongoing or future eligible green projects
   - Green proceeds audit trail

*As per described in the Use of Proceeds and this framework*
REPORTING
Reporting commitments

During the life of the Notes, Natixis will make available annually to the Noteholders on its website:

- The amount of proceeds allocated to the Eligible Green Projects, and the list of Eligible Green Projects in line with confidentiality practices, with their related summary description;

- Information on the environmental impacts of the Eligible Green Projects.

- The indicators will focus on eligible projects allocated prior to December 31st each year

- All the projects data will be anonymized for confidentiality reasons

Green Notes reporting

| Issuances | • Detail of the notes issued:  
| - issuer, ISIN, currency, size, issue date, maturity |
| Project level | • Type of project (solar, wind farm...), date of entry into service  
| | • Localisation, Amount  
| | • Renewable energy capacity constructed (MW)  
| | • Annual energy produced or ex ante expected (kWh)  
| | • Proceeds allocation: % of project funded through green notes and ISIN(s) of the green bonds allocated |
| Impact reporting | • Annual GHG emissions reduced/avoided (in kilo of CO₂) at bond level  
| | Calculation method: EIB(1) |
| External assurance | • Auditor’s report stating its assurance level of both the verification of allocation (management of proceeds) and the actual eligibility of projects |

(1): European Investment Bank
http://www.eib.org/attachments/strategies/eib_project_carbon_f ootprint_methodologies_en.pdf
EXTERNAL ASSURANCE
Eligibility criteria may be modified by NATIXIS from time to time following consultation/prior verification from an independent external opinion provider.
Third Opinion – Auditors’ mandate

NATIXIS has appointed a third party to issue a report each year (the Auditor’s Report) on the compliance, in all material respects, of:

(i) the actual allocation of proceeds to Eligible Green Projects and their alignment with the Selection Criteria, and

(ii) the pending cash allocation

NATIXIS will make the Auditor’s Report available on its website (http://www.natixis.com)