

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

1 | 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

2

Projects eligibility & selection

Selection process – to be discussed

Projects pipeline



Eligible project categories
Renewable Energy Projects

Responsible project management

ESG Selection criteria

- E&S risk assessment
- Client risk assessment (based on KYC¹ and LAB² 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

2 | Projects eligibility & selection Eligibility Framework 1/2

Definition	Projects Eligibility criteria
<ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ○ Which meet the eligibility criteria ○ Which are compliant with defined additional ESG selection criteria (cf next slide). 	<ul style="list-style-type: none"> ✓ 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) ✓ All greenfield* projects are eligible (agreed upon Equator Principles) ✓ Regarding brownfield projects, only projects located in “designated countries”*** + projects in “non designated countries” which have undergone an independent Environmental & Social assessment in line with the main principles of Equator Principles (“EP-like”) ✓ Project closing*** which had taken place in the last three years ✓ Only term loan facilities, of which <u>only drawn amounts are considered eligible</u> ✓ 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

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

** As defined by the Equator Principles - <http://www.equator-principles.com/index.php/designated-countries>

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	
	Greenfield assets (new construction, including significant extension of existing facilities)	Brownfield assets (refinancing of existing facilities with no or little extension)
Environmental impact mitigation: biodiversity, local disturbances from construction and exploitation phases, landscape	<ul style="list-style-type: none"> E&S risk-management procedure, embedded in GIP's internal loan approval process <ul style="list-style-type: none"> Natixis' Equator Principles procedure Technical and legal reviews Impact assessment studies, especially E&S requirements of project's specification* Construction and exploitation permits (incl. ICPE file – when applicable) 	<ul style="list-style-type: none"> Technical and legal reviews (including construction and exploitation permits) For projects located outside the “designated country list” (cf EP*), independent review including “Equator Principles-like” screening
Local impact mitigation & Stakeholders' engagement and consultation	<ul style="list-style-type: none"> E&S risk-management procedure, embedded in GIP's internal loan approval process <ul style="list-style-type: none"> Natixis' Equator Principles procedure Legal reviews Local impact assessment studies Construction and exploitation permits (incl. ICPE file – when applicable) 	<ul style="list-style-type: none"> Technical and legal reviews (including construction and exploitation permits) For projects located outside the “designated country list” (cf EP*), independent review including “Equator Principles-like” screening
ESG due diligence process	<ul style="list-style-type: none"> E&S risk-management procedure, embedded in GIP's internal loan approval process <ul style="list-style-type: none"> Natixis' Equator Principles procedure Construction and exploitation permits (incl. ICPE file – when applicable) Know Your Customer procedure > Risk mapping on project shareholders (SPV members) Contractual clause demanding from sponsor to report any major change to operating conditions (notably legal proceedings from local communities) 	<ul style="list-style-type: none"> Technical and legal reviews (including construction and exploitation permits) For projects located outside the “designated country list” (cf EP*), independent review including “Equator Principles-like” screening Know Your Customer procedure > Risk mapping on project shareholders (SPV members) Contractual clause demanding from sponsor to report any major change to operating conditions (notably legal proceedings from local communities)
Business practices' review: money laundering, corruption, conflict of interest	<ul style="list-style-type: none"> Know Your Customer procedure Compliance with LAB (anti-money laundering) 	<ul style="list-style-type: none"> Know Your Customer procedure Compliance with LAB (anti-money laundering)
Supplier's audit: financial stability and product quality	<ul style="list-style-type: none"> “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. 	<ul style="list-style-type: none"> “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.
Labour and human rights conformity and social requirements	<ul style="list-style-type: none"> E&S risk-management procedure, embedded in Natixis Project finance teams' internal loan approval process <ul style="list-style-type: none"> Natixis' Equator Principles procedure Technical and legal reviews (incl. of contractual clause on respect of labour and human rights and social legal requirements regarding international (SPV contracts)) 	<ul style="list-style-type: none"> Technical and legal reviews (including construction and exploitation permits) 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))

2 | **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

2 | 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
 - ✓ Arbitrating 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

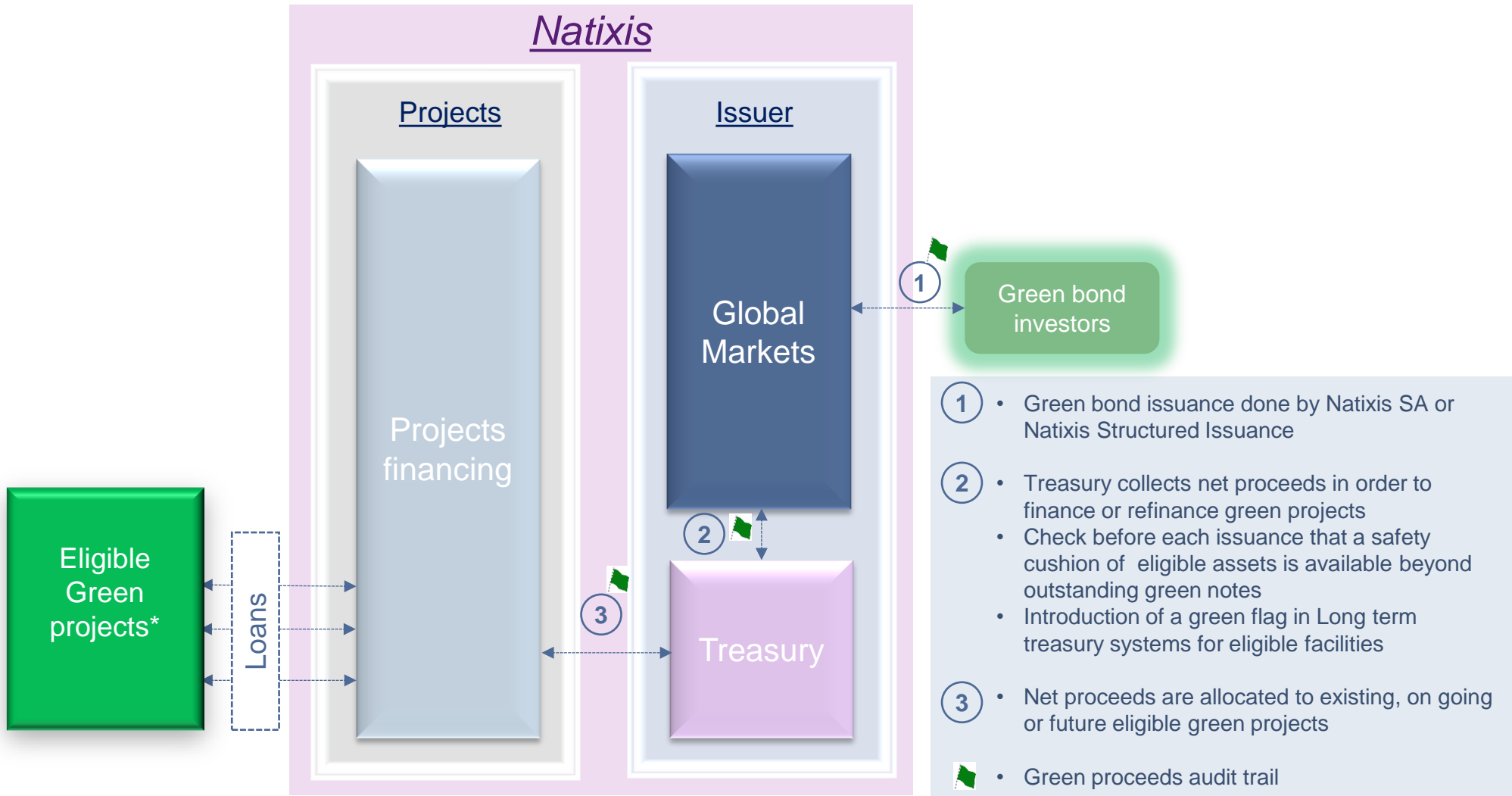
3

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

3

Management of proceeds *Target process*





REPORTING

4 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

(1): European Investment Bank
http://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

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



EXTERNAL ASSURANCE

5 | VigeoEiris Second Party Opinion

VIGEO EIRIS' OPINION

Vigeo Eiris confirms that the Note considered by Natixis is a “Green Note” with positive contribution to sustainable development, aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable³ level of assurance on the Note’s contribution to sustainability.

- **Issuer:** Natixis displays an overall good³ ESG performance (see Part I).
 - ▶ Natixis ranks sixth in the “Diversified Banks” Vigeo Eiris sector which covers 31 European companies and achieves advanced performance in the Environmental pillar, good performance in the Social pillar and limited performance in the Governance pillar.
 - ▶ Vigeo Eiris’ assurance that Natixis’ ESG risk factors are adequately managed is overall reasonable, including reputational, human capital, operational and legal risks.
 - ▶ Natixis faces overall frequent controversies⁴ regarding several ESG domains. The severity ranges from significant to high. The company is overall reactive: it reports transparently on all of the eight cases identified, cooperated with interested parties and provided some corrective measures for one of them.
 - ▶ Regarding the 15 controversial activities⁵ analysed by Vigeo Eiris, Natixis’ involvement in Military and Nuclear power is minor. Natixis has no involvement in any of the 13 other controversial activities, according to Vigeo Eiris’ calculation methodology⁶.

Eligibility criteria may be modified by NATIXIS from time to time following consultation/prior verification from an independent external opinion provider

- **Issuance:** The Issuer’s Green Note framework is coherent with its main ESG strategic priorities and is considered to be good (see Part II):
 - ▶ The net proceeds of the Note issuance will be used to finance and refinance Eligible Assets which contribute to climate change mitigation, in line with two United Nations Sustainable Development Goals (the “UN SDGs”). Objectives and expected environmental benefits associated with the Eligible Assets are visible, precise, measurable and relevant.
 - ▶ The process for evaluation and selection of Eligible Assets is clearly defined, made publically available on Natixis’ website⁷, and good in terms of transparency, governance and relevance of defined eligibility criteria.
 - ▶ The rules for the management of proceeds are clearly defined by the Issuer and would enable a documented and transparent allocation process, based on the Issuer’s commitments on the management of proceeds.
 - ▶ The Issuer is committed to report annually, publically and until the note maturity. The reporting commitments and process are good, covering the fund allocation and environmental benefits of selected assets (outputs and impacts), reaching an overall reasonable level of assurance on the Issuer’s capacity to report on the Green Note’s use and impacts.

Beyond the Green Bond Principles guidelines, in line with international standards, certain ESG factors have been integrated in the evaluation and selection process, covering most ESG risks related to Eligible Assets. We have further recommended using ESG qualitative and quantitative indicators to report on the responsible management of the assets, depending on the information availability and relevance of the ESG matters.

¹ Second Opinion – Green Bond Principles: This opinion is to be considered as the “Second Party Opinion” described by the Green Bond Principles (2017 edition in the “External Review” section). The Green Bond Principles include the Voluntary Process Guidelines for Issuing Green Bonds and the Guidance for Borrowers of Social Bonds (see: www.icmagroup.org/Regulatory-Policy-and-Market-Practice/Green-Bonds/).

² The “Green Note” is to be considered as the potential forthcoming Note, which issuance is subject to market conditions.

³ Definition of Vigeo Eiris’ scales of assessment (as detailed on page 11 of this document):

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

⁴ The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Natixis or its financial obligations.

⁵ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs: it consists exclusively in highlighting the involvement of companies in a given activity and in qualifying the threshold of involvement without inferring any opinion. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

5 | 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>)