

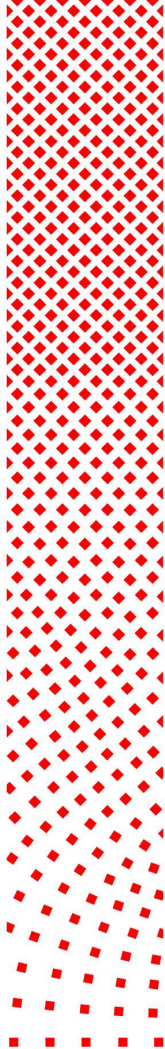
# FRAMEWORK



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## Green Bond

13<sup>th</sup> February 2017



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## ***1. Responsible investment strategy of the Caisse des Dépôts Group***

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A consensus is emerging recognising that climate change is becoming a systemic economic risk, able to hinder the global financial system's performance. The financial sector has a major role to play in supporting and speeding up the emergence of a low-carbon economy and limiting the average increase in global temperatures below 2 °C / 1.5 ° C over pre-industrial levels by 2100. This will be done by directing capital and the economy towards a more carbon-neutral and environmentally friendly model. In France, investments needed for this transition are estimated to be around € 60billion per year up to 2050.

As a responsible and long-term investor, Caisse des Dépôts has set itself as strategic priorities to take into account on the one hand climate risks in its investment decisions, and on the other hand the contribution of Caisse des Dépôts Group (the Group) to the Green Economy. Its activities to support the Energy and Ecological Transition (EET) translate into four transversal objectives applied throughout its financing activities:

### **1.1. Increasing financing dedicated to the Energy and Ecological Transition**

To respond to the different financing needs related to the transition towards a low carbon economy, the Caisse des Dépôts Group has adapted and directed its financings towards projects and companies contributing to decarbonise the economy. This is particularly directed towards on sectors dedicated to clean transportation and sustainable urbanisation, the production of renewable energies and the development of energy efficiency solutions in the real estate and industry.

The Group has committed to **EUR 15bn to be disbursed between 2014 and 2017** to finance sectors described above. This includes EUR 10bn in loans to local authorities and social housing agencies by Caisse des Dépôts and close to EUR 4bn in loans for companies of the EET via Bpifrance.

The monitoring of commitments and funding is to be disclosed on an annual basis in the activity report and the social responsibility report.

## 1.2. Decarbonising its portfolios

Caisse des Dépôts Group contributes to the decarbonisation of the real economy through its investment portfolios. This approach seeks to identify, assess and control climate change-related risks to foster its investments' long term performance.

The Group (through Caisse des Dépôts, Bpifrance and CNP Assurances) has set the objective **to reduce its carbon footprint by 20% on its listed equity portfolios held directly** (an aggregate of EUR 55bn) between 2014 and 2020. To achieve this objective, Caisse des Dépôts Group builds a strong-willed dialogue with its shareholders on energy and climate related issues, to encourage the companies in its portfolio to reduce their greenhouse gas emissions. If the voluntary reduction of emissions from these companies appears to be insufficient in the medium-term, reallocations within the portfolios can take place, enabling the Group's carbon footprint reduction target to be reached.

The Group has set the target **to reduce energy consumption by 38% for the whole of its fully-owned real estate portfolio by 2030**. This objective is to be achieved thanks to the weight given to the energy performance criteria in the investment process, both in the acquisition policy (labelling) and in asset management (rehabilitation, green leasing). For Caisse des Dépôts, the 38% reduction of primary energy consumption will impact 43 sites that have an estimated value of EUR 1.5bn.

An assessment of greenhouse gas emissions generated and avoided by infrastructure investment has been carried out on a significant perimeter of Caisse des Dépôts' portfolio.

The Group signed the Montréal Carbon Pledge <sup>1</sup> and is a member of the Portfolio Decarbonisation Coalition. It is committed to assess on a yearly basis and make its portfolio's carbon footprint (estimation of greenhouse gas emissions) public in order to assess the status of the decarbonisation process.

This measure has been carried out in 2015 and 2016 for the whole of portfolios of shares managed directly by the Group. It is published yearly in the Group's institutional reports.

## 1.3. Excluding thermal coal financing

Reducing thermal coal exploitation is one of the main criteria to orientate international energy transition scenarios. Therefore, Caisse des Dépôts Group implements strict financing conditions for assets related to thermal coal.

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<sup>1</sup> <http://montrealpledge.org/signatories>

The Group is committed not to invest directly in shares and debt instruments from companies for which thermal coal extraction represents more than 20% of revenue. It is also committed not to finance new coal-based energy production capacities (Greenfield investment) on its equity investments and its credit activities in territorial projects. Caisse des Dépôts cannot invest in existing coal-based production facilities (brownfield investment) unless investments are made to contribute to the transition of those facilities towards renewable energy. The transition of these existing units towards renewable energy will be systematically controlled.

#### **1.4. Committing for environmental performance as an active shareholder**

Caisse des Dépôts uses its influence as a shareholder to encourage companies towards further transparency and higher environmental performance. The companies whose shares are held by the Group are requested to design a medium-term environmental and energy transition (EET) strategy, to define a quantitative reduction of greenhouse gas emissions target for 2020, and to set up governance adapted to this process.

To reach its goals, the Group carries out an analysis of climate and environmental issues specific to each investment decision. It monitors the assets for which EET is a significant stake as well as the environmental resolutions registered, and supports the resolutions that are coherent with the Group's conception of the companies' core issues.

Caisse des Dépôts can make its votes in terms of environmental resolutions public. Information related to shareholder commitments to climate is published in the Group's social responsibility report.

The Group's commitment to climate change is part of a broader strategy of responsible investment, detailed in Caisse des Dépôts responsible investment Charter. Its implementation is presented in the social responsibility report published yearly and in Caisse des Dépôts report to the Responsible Investment Principles (PRI), sponsored by the United Nations.

## 2. Fundamental principles of the issuance

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Caisse des Dépôts wishes to propose to investors Green bonds that are issued in line with the robust and transparent framework Caisse des Dépôts has created.:

- Consistency

The issuance is fully consistent with the strategy of the Caisse des Dépôts whose contribution to the ecological and energy transition is one of the four pillars.

*Illustration: Caisse des Dépôts will use the proceeds for the purpose of financing or refinancing real estate assets, infrastructures for the production of renewable energies and rehabilitation of sites.*

- Transparency

The issuance is distinguished by a transparency on the characteristics of the Green bond (asset selection criteria, procedures for the evaluation and selection of projects, management of proceeds) and a communication in the form of reports on the commitments made (good allocation of flows, project compliance, ESG indicators).

*Illustration: From 2017, Caisse des Dépôts will publish its first complete annual report dedicated to the Green bond.*

- Exemplarity

The vocation of Caisse des Dépôts is to accompany the structuring of this market and as such to promote its best practices.

*Illustration: Caisse des Dépôts, member observer of the « Green Bond Principles » (GBP), ensures compliance with its recommendations (GBP published in 2016 by the International Capital Market Association (ICMA)), especially that of using review and external certifications.*

- Readability

The definition and implementation of processes (assets matching, selection of assets, publication of reports), both internal and external, simple, clear and readable is a priority objective.

*Illustration: Caisse des Dépôts integrates all the procedures specific to the Green bond within its usual investment processes and procedures.*

- Scalability

Caisse des Dépôts' intention is to place this transaction in a process of ongoing improvement in its processes for monitoring the impacts of assets and their relationships.

*Illustration: Caisse des Dépôts initiates, with its partners, a contractual work of the environmental objectives of the assets and their measurement.*

### ***3. Application of the Green Bond Principles***

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#### **3.1. Eligible projects for the Bond issuance**

Caisse des Dépôts structures the issuance of the Green bond as what it is and as what it does: long-term investors in the service of French territories in accompanying transitions in particular on an ecological and energy front. The operation must be a faithful reflection of its action, both when it invests significant amounts in innovative projects with high environmental performance and high national and international visibility, when it accompanies local projects that are decisive for territories by participating in the sensitization of its partners on ESG.

Based on these assumptions, the following principles were used for the selection of assets:

- Financing in equity or quasi-equity
- Highlighting Caisse des Dépôts expertise on main intervention sectors :
  - o Energy production infrastructure
  - o Real estate under new construction or rehabilitation
  - o Rehabilitation of sites
- Not likely to be the subject of major controversy
- Meeting the environmental eligibility criteria set out in the table below
- Having a high level of commitment by Caisse des Dépôts in the projects (38% on average)
- Generating a balanced distribution between :
  - o Financing and refinancing
  - o Future and active projects in operation

The criteria defined are intended to enable the identification of eligible assets by analysis of their intrinsic qualities. Therefore, any asset that does not meet its criteria is by definition excluded.

No weighting of the criteria occurs: when the criteria are multiple, they must be exhaustively fulfilled.

The leveraged assets are mainly financed through greenfield equity financing and are not likely to have been previously financed by a Green Bond. If an asset is financed in brownfield, the rational cause of Caisse des Dépôts' commitment is the extension of the capacities of the original project.

Eligible Sector	Sub-sector	Detail	Additional eligibility criteria	Climate and environmental goals
Energy Production Infrastructure	Electricity production (EnR)	<ul style="list-style-type: none"> <li>Wind turbines on and off-shore</li> <li>Solar photovoltaic</li> <li>Solar thermodynamics</li> <li>Micro-hydraulic</li> <li>Marine energy</li> <li>Biomass</li> <li>Geothermal</li> </ul>	Territorial projects in France purged of any recourse, having all the authorizations and permits and devoid of any controversies (especially environmental) following the impact studies.	<ul style="list-style-type: none"> <li>Reduction of greenhouse gas effects (GES) by substitution from fossil or nuclear fuels to the benefit of EnR</li> <li>Installation of new capabilities</li> </ul>
	Heat production	<ul style="list-style-type: none"> <li>Rehabilitation or construction</li> <li>Heating or cooling networks</li> <li>Cogeneration biomass, geothermal, gas or solar thermodynamic</li> <li>Downstream of industrial units or waste incineration</li> </ul>	<ul style="list-style-type: none"> <li>Territorial projects in France</li> <li>Labelling « Heat exchanger »</li> <li>CO<sub>2</sub> emissions below 500g CO<sub>2</sub>.mWh</li> <li>User rates in the lower third</li> <li>High energy density of the network</li> </ul>	<ul style="list-style-type: none"> <li>Valuation of fatal heating and reduction of CO<sub>2</sub> emissions</li> </ul>
Real Estate	New construction and heavy rehabilitation	<ul style="list-style-type: none"> <li>Commercial real estate</li> <li>Residential real estate</li> <li>Health and social real estate</li> <li>Commercial real estate</li> <li>Leisure real estate</li> <li>Tourist residences</li> <li>Resorts</li> </ul>	<ul style="list-style-type: none"> <li>Buildings located in France or in Europe</li> <li>To build, restructure or rehabilitate</li> <li>With at least one environmental label following or higher: <ul style="list-style-type: none"> <li>BBC Efficergie+</li> <li>HQE Excellent</li> <li>BREEAM Very Good</li> <li>LEED Gold</li> <li>NF Habitat and Environment</li> <li>Conformity E+C-</li> <li>Local certifications audited by a third party: Sustainable building Mediterranean, Quality Environment Caledonian (QEC)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Reduction of energy consumptions and GES emission (especially when some materials allow to reduce grey energy of buildings)</li> </ul>
Rehabilitation of sites	Soils decontamination	<ul style="list-style-type: none"> <li>All types of sites</li> </ul>	Landscapes located: <ul style="list-style-type: none"> <li>Mostly in France (&gt;50%) and in Europe</li> <li>In urban or periurban areas</li> </ul>	<ul style="list-style-type: none"> <li>Reduction GES emissions and preservation of the biodiversity by avoidance of the new artificialisation of land rights in extension of agglomeration.</li> </ul>

### 3.2. Process of evaluation and selection of projects

Caisse des Dépôts integrates its "Green Bond" effort within its investment process:

#### 1) Analysis of eligibility

The persons in charge of investments at CDC are trained, within each selected area, to identify from the inception of each project its capacity to comply with the list of eligible assets.

#### 2) Confirmation of eligibility

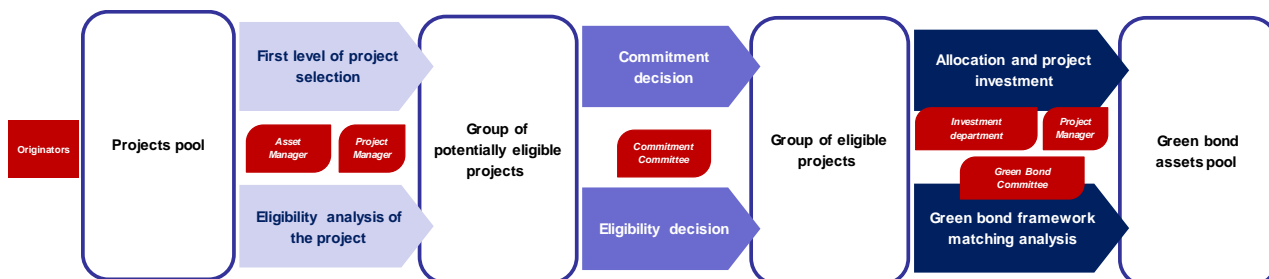
The identified assets are then subject to a second analysis with respect to their conformity to the criteria. This examination is carried out by the decision committee.

#### 3) Allocation decision

A "Green Bond" committee takes the final decision on the allocation of assets designated to the bonds. The committee also regularly examines the pool of assets already allocated in order to verify that they still comply with the criteria and are not to be significantly challenged at this date. The occurrence of a potential controversy regardless of its nature (political, environmental, social, etc...) can lead to a retraction, temporary or permanent, of a project from the list of eligible assets. A new asset would then be suggested as a substitute.



This three-stage process of selection and evaluation involves all relevant parties involved in the project within the Institution, in particular the "investor" and "risk" departments.



A documented list of the projects eligible to the green bond is communicated since the issuance of the bond.

### 3.3. Management of the proceeds

The “Green Bond” committee takes place on an annual basis during the fourth quarter on the year. This committee will review Green Bond disbursements made during the year and investments they enabled to make. The report issued enables the edition of accounting and financial reports required for the certification of effective allocation of the proceeds by one of our external auditors. Two accounting sections are created: one dedicated to the liabilities of the bond issuance itself and another one to the cash management of resources not allocated yet.

Proceeds not allocated yet are under the management of Caisse des Dépôts’ cash management teams. This cash liquidity is invested within ten working days maximum from the settlement date of the bond and readjusted when the report of the annual “Green Bond” committee is produced.

Considered investments will be in Euros with a tenor below one year, at a floating rate notes versus Eonia or Euribor and will be rated at least A1/P1. Negotiable European commercial paper (Neu CP) or European commercial paper (ECP) from Suprationals, Sovereigns or Agencies (SSA) or banks will be favoured.

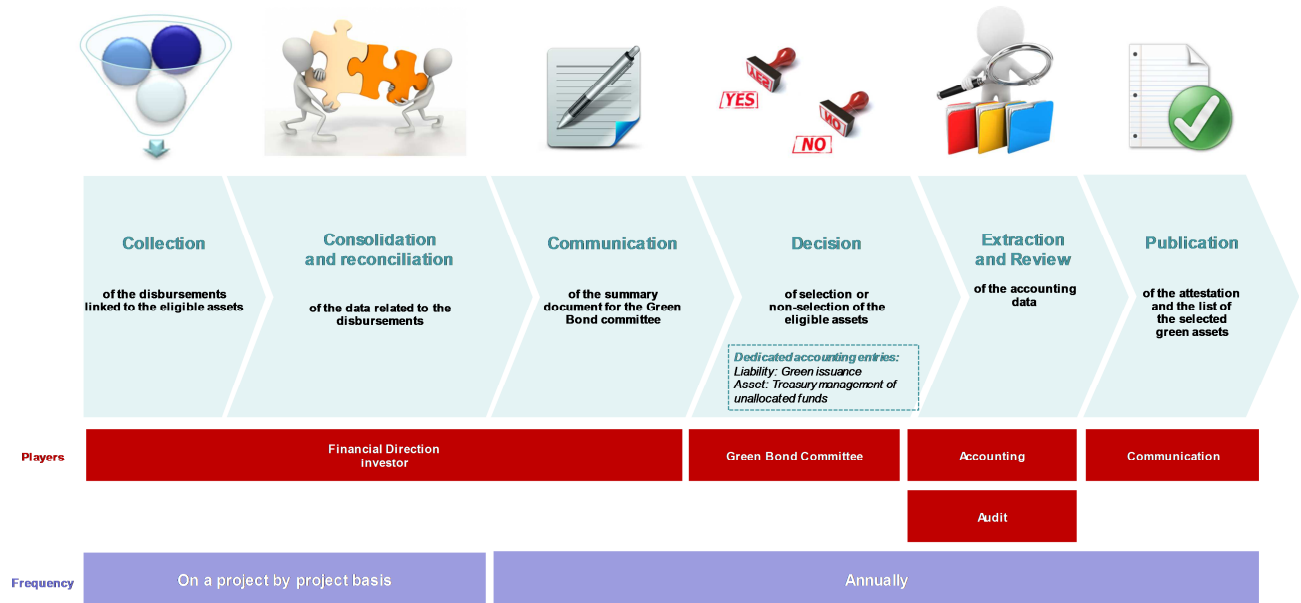
### 3.4. Reporting

Publication of the reporting is a key step when building the credibility of an issuer in the Green Bond market. It permits investors to ensure the compliance with the undertakings. Caisse des Dépôts is committed on a given reporting frequency high quality standards in line with market requirements. Thus, Caisse des Dépôts will publish the following reports on an annual basis as of 2017:

- 1) Attestation on allocated funds

Caisse des Dépôts will publish an exhaustive and nominative list of the projects financed. For each portfolio, the number of projects, the average share of Caisse des Dépôts' financing and the invested amounts will be detailed. Unallocated funds managed by the cash management teams will be a subject of communication integrated in the reporting.

In line with its philosophy of integrating the "Green Bond" process to the existing ones, the work of the auditor will follow the same calendar as the one for the audit of the annual accounts of Caisse des Dépôts Group.



## 2) Certification on the conformity of the projects

This certification delivered by the auditor validates the conformity of the assets with the eligibility criteria. For example, in the real estate ground, it will attest the final granting of the environmental label or its contractual arrangements, depending on whether the asset is delivered or at the project stage.

## 3) ESG indicators related to the projects

The annual reporting aims to inform the bond holders about key features of the projects based on:

- Gross indicators i.e. "output" (ex: energy capacities in Mgw)
- Impact indicators (ex: avoided CO2 emissions)

These indicators are either collected by the teams in charge of investments and then aggregated and communicated without restatement, or computed based on established formulas. Caisse des Dépôts under the direction of its strategy department and in collaboration with external stakeholders, leads a continued reflection on this topic in order to obtain robust, opposable and relevant references for each asset class that can be potentially concerned.

This process is particularly of great importance, as Caisse Des Dépôts wishes to play, alongside others key participants as the State (TEEC Label), a prominent role in contributing positively to the debates animating the market, notably with regard to the structure of impact reports. Caisse des Dépôts will engage with the rest of the involved community in a study to assess the impacts on the environment of the funds dedicated to the remediation of polluted sites.

Caisse des Dépôts will publish a report consolidating the outputs and impact indicators at the most relevant portfolio scale. Landmark projects will be subject to more detailed presentations.

As a long term investor, Caisse des Dépôts aims to invest in sizeable projects, as well as in local undertakings of more modest size alongside relevant partners (such as developers, investors, builders, local managers). In this context, it strives to improve the professionalism of the regional actors, in order to enhance their acknowledgment of the environmental impacts of their work, notably in improving the evaluation of the effects of these activities on both the climate and the environment. In order to achieve this, Caisse de Dépôts would like:

- For the projects that are already subject to partnership agreements, to take measures to allowing the transmission of information between all members;
- For newly engaged projects, integrate in addition to the requirements on performance target levels, the relevant indicators expected and their frequency.

Sectors	Gross « output » indicators	Impact reporting
<b>New build &amp; refurbishment</b>	<ul style="list-style-type: none"> <li>• Energy consumption per m<sup>2</sup></li> <li>• Environmental certification</li> <li>• Percentage of projects outside of Greater Paris</li> </ul>	<ul style="list-style-type: none"> <li>• Avoided CO<sub>2</sub> emissions</li> <li>• Number of jobs supported</li> <li>• Refurbishment: energy savings</li> </ul>
<b>Energy production Electricity and heat</b>	<ul style="list-style-type: none"> <li>• Production capacity</li> <li>• Actual/estimated annual production</li> </ul>	<ul style="list-style-type: none"> <li>• Number of covered households</li> <li>• Avoided CO<sub>2</sub> emissions</li> <li>• Number of jobs supported</li> </ul>
<b>Land remediation</b>	<ul style="list-style-type: none"> <li>• Number of sites having benefited from pollution removal</li> <li>• Surface area of depolluted sites</li> <li>• Expected sites usage after pollution removal</li> </ul>	<ul style="list-style-type: none"> <li>• Number of jobs supported</li> <li>• Additional impact reporting indicator(s) to be defined post-issuance by the Issuer</li> </ul>

### 3.5. External assessment: Second Party opinion from Vigeo



#### SECOND PARTY OPINION<sup>1</sup> ON THE SUSTAINABILITY OF THE PUBLIC INSTITUTION OF CAISSE DES DÉPÔTS ET CONSIGNATIONS' GREEN BOND<sup>2</sup>

Issued in February 2017

#### SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Bond (the "bond") considered by the Public Institution of Caisse des dépôts et consignations (hereafter the "Issuer") according to Vigeo Eiris' Environmental, Social and Governance (ESG) assessment methodology and in line with the Green Bond Principles guidelines. The opinion is based on the review of the two following components:

- Issuer: document-based evaluation of Caisse des dépôts et consignations Group's (hereafter Caisse des Dépôts or CDC) ESG performance, controversies and capacity to mitigate these risks
- Issuance: analysis of the coherence between the Green Bond framework and the Group's strategy and commitments, and document-based evaluation of the Green Bond framework published on the Caisse des Dépôts' website (the "Green Bond framework"), including:
  - ▶ analysis of the process for categorisation and selection of assets eligible to the use of proceeds, and the process for evaluation of their environmental and social risks and impacts
  - ▶ assessment of reporting systems dedicated to information, monitoring and control related to fund allocation, to management and impacts of financed assets.

Vigeo Eiris' sources of information are gathered from our rating database of issuers, and from, for specific needs of this evaluation, the Issuer, press content providers and stakeholders. Vigeo Eiris has carried out its due diligence from the 21<sup>st</sup> of November 2016 to the 20<sup>th</sup> of January 2017, complemented by interviews with involved departments and managers, held at the Caisse des dépôts et consignations' offices in Paris (France).

We were able to access to all appropriate documents and to meet all solicited people. We consider that the provided information enable us to establish our opinions with a reasonable level of assurance on their completeness, precision and reliability.

#### VIGEO EIRIS' OPINION

Vigeo Eiris confirms that the bond intended by the Public Institution of Caisse des dépôts et consignations is a "Green Bond" with positive contribution to sustainable development, aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable<sup>3</sup> level of assurance on the sustainability of the bond:

- Caisse des dépôts et consignations' overall ESG performance is advanced<sup>3</sup>, with an advanced performance on the Environmental domain (see Part I).
- The Issuer's Green Bond framework is coherent with Caisse des dépôts et consignations' main strategic priorities and is considered to be robust (see Part II):
  - ▶ The net proceeds of the issuance will be used to finance and refinance Eligible Assets, which contribute to climate change mitigation and the reduction of ecosystems' degradation, in line with three United Nations Sustainable Development Goals.
  - ▶ The processes for categorisation, selection and evaluation of Eligible Assets is clearly defined and robust, and would enable documented and transparent governance of the bond.
  - ▶ The Issuer's reporting commitments and process are robust, covering the fund allocation and environmental benefits of selected assets (outputs and impacts), reaching an overall reasonable level of assurance on its capacity to report on the Green Bond's use and impacts.

<sup>1</sup> Second Party Opinion – Green Bond Principles: This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles (2016 edition in the "External Review" section). The Green Bond Principles include the Voluntary Process Guidelines for Issuing Green Bonds and the Guidance for Issuers of Social Bonds (see: [www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/](http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/))

<sup>2</sup> The "Green Bond" is to be considered as the potential forthcoming bond, which issuance is subject to market conditions.

<sup>3</sup> Definition of Vigeo Eiris' scales of assessment (as detailed on the last page of this document):

Level of Performance: Advanced, Robust, Limited, Weak.


Level of Assurance: Reasonable, Moderate, Weak.

#### 4. Appendices

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- Permanent links to Caisse des Dépôts website
- ✓ Investor relations : Inaugural Green Bond
  - <http://www.caissedesdepots.fr/rerelations-investisseurs>
- ✓ A Group engaged in the ecological and renewable energy challenge
  - <http://www.caissedesdepots.fr/ecologie-et-energie>
- ✓ A Group at the service of housing and real estate
  - <http://www.caissedesdepots.fr/immobilier-et-logement>
- ✓ CSR Challenges
  - <http://www.caissedesdepots.fr/enjeux-rse>
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