

# SECOND PARTY OPINION<sup>1</sup>

## ON THE SUSTAINABILITY OF SOCIÉTÉ GÉNÉRALE SFH'S POSITIVE IMPACT BOND<sup>2</sup>

June 27<sup>th</sup>, 2019

### SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter the “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Positive Impact Bond (the “Bond”) proposed to be issued by Société Générale Société de Financement de l’Habitat (the “Issuer” or “SFH”), a subsidiary of Société Générale Group (“SG”), under its Positive Impact Covered Bond Framework (the “Framework”).

Our opinion is established according to our Environmental, Social and Governance (“ESG”) exclusive assessment methodology, to the International Capital Market Associations (ICMA)’s Green Bond Principles (GBP) voluntary guidelines edited in June 2018 and to the Principles for Positive Impact Finance (PIIF) of the United Nations Environment Program’s Finance Initiative (“UNEP FI”)<sup>3</sup> edited in 2017.

The opinion is based on the review of the two following components:

- 1) **Issuer:** We have assessed the ESG performance of Société Générale Group, as the 100% owner of Société Générale SFH, with an extended assessment of the Corporate Governance of the subsidiary, its management of potential stakeholders-related ESG controversies and its involvement in controversial activities<sup>4</sup>.
- 2) **Issuance:** We have assessed the coherence between the Bond and the Issuer’s sustainability commitments, its potential contribution to sustainability, and the Bond’s alignment with the GBP 2018 and the PIIF 2017.

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents.

We carried out our due diligence assessment from May 29<sup>th</sup> to June 27<sup>th</sup>, 2019. We consider that we were provided with access to all the appropriate documents we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

### VIGEO EIRIS’ OPINION

**Vigeo Eiris is of the opinion that the Positive Impact Bond considered by Société Générale SFH is aligned with the four core components of the Green Bond Principles 2018, and with the four Principles for Positive Impact Finance 2017.**

**We express a reasonable assurance<sup>5</sup> (our highest level of assurance) on the Issuer’s commitments and the Bond’s contribution to sustainable development.**

#### 1- Issuer (see Part I):

- ▶ Société Générale SFH is a wholly owned subsidiary of Société Générale, and displays an overall advanced ESG performance.
- ▶ As of today, no controversy was identified for Société Générale SFH related to ESG factors.
- ▶ Société Générale SFH is not involved in any of the 15 controversial activities screened under our methodology.

#### 2- Issuance (see Part II):

The Issuer has described the main characteristics of the Positive Impact Bond within a formalized Positive Impact Covered Bond Framework (the “Framework”), based on the latest version forwarded to Vigeo Eiris on June 26<sup>th</sup>, 2019) and committed to make this document accessible on its Investor Relations webpage, after the issuance.

We are of the opinion that the contemplated Bond is coherent with Société Générale SFH’s main sustainability priorities and sectorial issues, and contributes to achieve the issuer’s CSR commitments.

<sup>1</sup> This opinion is to be considered as a “Second Party Opinion” as described by the International Capital Market Association ([www.icmagroup.org](http://www.icmagroup.org)).  
<sup>2</sup> The “Positive Impact Bond” is to be considered as the potential forthcoming bond, which issuance is subject to the Issuer’s discretion.  
<sup>3</sup> The Principles for Positive Impact Finance are a high-level, inclusive framework for holistic impact management by financial institutions at the heart of their business operations. <http://www.unepfi.org/positive-impact/principles-for-positive-impact-finance/>  
<sup>4</sup> Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering (OGM), High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.  
<sup>5</sup> Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section of this document):

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

## **Alignment with the Green Bond Principles 2018**

### Use of proceeds

- ▶ The net proceeds of the Bond will exclusively refinance, in part or in full, projects falling into one Eligible Category of Projects ("Eligible Loans") namely: Green Residential Mortgages. The Eligible Category is formalized and considered clearly defined.
- ▶ The Eligible Category is intended to contribute to one environmental objective, namely climate change mitigation. This objective is formalized in the Framework, and considered clearly defined and relevant.
- ▶ The environmental benefits of the Eligible Category are clearly defined. The Issuer has estimated ex-ante quantified environmental benefits for the Eligible Category.
- ▶ The Eligible Category is likely to contribute to two of the United Nations Sustainable Development Goals ("SDGs"), namely: 7. Affordable and clean energy and 13. Climate Action.
- ▶ In the context of a Positive Impact Covered Bond, the Issuer has transparently communicated on the refinancing share, which will be of 100%. The Issuer has committed that the look-back period for the provision of Eligible Loans will be limited to the allocation of fund to loans with an initial drawdown starting after January 1st, 2015. An area of improvement consists in refinancing loans with an initial drawdown that does not exceed 36 months of look-back period, in order to be in line with market practices.

### Process for Project Evaluation and Selection

- ▶ The governance and the process for the evaluation and selection of the Eligible Loans are clearly defined in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit and relevant eligibility criteria (selection and exclusion).
- ▶ The identification and management of the environmental and social risks associated to the Eligible Loans are considered to be good.

### Management of proceeds

- ▶ The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.

### Monitoring and Reporting

- ▶ The reporting process and commitments are considered to be good, covering both the funds allocation and the environmental benefits of the Eligible Category.

## **Alignment with the Principles for Positive Impact Finance 2017**

### Definition

- The Eligible Loans deliver a positive contribution to one of the three pillars of sustainable development, based on their evaluation of both potential positive and negative impacts.

### Framework

- The issuer has established adequate processes, eligibility criteria, methodologies and tools, to identify and monitor the positive impacts of the Eligible Loans to be refinanced by the Bond.

### Transparency

- Société Générale SFH has transparently disclosed the type of loans to be refinanced by the Bond, the associated intended positive impacts; the processes, methodologies and KPIs to monitor and verify impacts; and the estimated impacts achieved by the loans. Société Générale SFH will annually, and until the Bond's maturity, provide an Allocation and Impact Reporting on the Positive Impact Covered Bond that will be made available via Société Générale's Investor Relations webpage.

### Assessment

- The assessment of the actual positive impacts achieved by the Bond is based on ex-ante estimates, namely estimated energy savings and avoided GHG.

Société Générale SFH has committed that its Bond issuance will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bond, to be made available on its Investor Relations webpage, at the date of the issuance.
- An annual verification: a review performed by a third-party auditor, covering the compliance in all material aspects of (i) the allocation of proceeds to Eligible Loans and their alignment with the eligibility criteria, (ii) the pending cash allocation and (iii) the impact reporting, to be verified annually and until the Bond's maturity date.

*This SPO is based on the review of Société Générale SFH's first Positive Impact Bond to be issued in 2019, according to the GBP 2018 and the PPIF 2017.*

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## DETAILED RESULTS

### Part I. ISSUER

Société Générale Group (SG) is engaged in the following activities: retail banking, corporate and investment banking, private banking, asset management, securities services and specialized financial and insurance services. The Company serves about 31 million individual clients, large corporates and institutional investors worldwide.

Société Générale SFH was created in 2003 and is held at 100%, directly or indirectly, by Société Générale. The company's main activity is to refinance personal real estate loans granted by Société Générale through the issuance of Housing Finance Bond.

#### Société Générale SFH's ESG performance

Vigeo has assessed the Issuer's ESG performance, based on our exclusive ESG rating database and on the analysis of its Corporate Governance performance.

Regarding its Environmental and Social performance, Société Générale SFH falls under Société Générale Group's policies and its corresponding performance. However, Société Générale SFH's has its own Board of Directors, thus a governance system which on some aspects, differs from Société Générale Group.

As of today, Société Générale SFH displays an overall advanced ESG performance.

Domain	Comments	Opinion
Environment	Société Générale's performance in the Environment pillar is advanced. The Company displays an advanced environmental strategy. Société Générale has set specific quantitative targets in terms of reducing CO2 emissions per employee by 25% by 2020 in comparison to 2014 and an objective to improve energy performance by 20% in the Group's buildings over the same period. A minority (20.8%) of the Company's activities (in terms of employees covered) have a certified environmental management system.	Advanced
	Société Générale has formulated specific sector policies and commitments to support a low carbon economy and has set targets to better tackle climate change through its financing activities. Notably the Bank committed EUR 100 billion contribution to supporting of energy transition between 2016 and 2020, of which EUR 15 billion will be dedicated to renewable energy projects. Moreover, the Bank has announced that it will no longer finance coal-fuelled power plants or related infrastructure, and disengage from oil sand and arctic oil.	Good
	Société Générale has processes in place to systematically consider climate risks in its financing activities, and several tools are in place for identifying the risk factors associated with climate change. In ongoing credit risk management, climate change-related risk is integrated into the macro-economic and macro-sector analyses carried out bi-annually, as well as into the individual credit risk analyses for the countries and sectors with the greatest exposure. Furthermore, the Company has implemented means to develop sustainable investment products and strategies, including exclusionary screening, positive screening, thematic funds, engagement with the companies and voting policies covering ESG issues.	Limited
	Société Générale discloses a commitment to integrate environmental issues in its lending and investment activities. In addition, the Company reports to assess environmental risks and to manage them. It has also set up channels through which stakeholders can voice their concerns on clients or projects financed.	Weak
Social	Société Générale's performance in the Social pillar is advanced. The Company's performance in the Human Resources domain is advanced. Extensive measures are in place to limit the impact of ongoing reorganisations and to promote career management and employee development. Moreover, the Bank has committed to maintain its rate of absenteeism due to illness below 2.5%. The comprehensive H&S system adopted covers both physical health and stress (training, risk assessments, audits, means to improve ergonomics, avoidance of overtime).	Advanced

	<p>In terms of key performance indicators, Société Générale displays stable trends regarding accident frequency rate and absenteeism due to sick leaves (which was maintained at 1.9% between 2015 and 2017).</p> <p>Société Générale's performance in the Human Rights domain is advanced. The Bank's commitment towards the respect of fundamental human rights was reaffirmed in March 2018 by the first publication of the Group's Duty of Care Plan. Société Générale reports on comprehensive measures to tackle social issues in project finance and corporate lending. On the topic of fundamental labour rights, the Global Agreement signed between Société Générale and UNI Global Union has been complemented in 2018 by a dedicated global assessment on Human Rights and HR policies, part of the company's Duty of Care plan.</p> <p>With regards to non-discrimination, the Bank to continue improving the representation of women across management positions by 2020. In addition, extensive measures to prevent discrimination and promote diversity are in place and indicators such as the share of women in management positions display positive results.</p> <p>Regarding the Community involvement domain, the Bank's performance is advanced. Société Générale reports on comprehensive measures to promote access to basic financial services and there is a dedicated structure with stakeholders to handle these issues. The Company has also allocated measures to support customers in financial distress. In addition, Société Générale has issued a commitment to promote local social and economic development and set a target to increase the volume of purchases from very small businesses and small and medium enterprises by 20% in 2018 compared to 2015. Extensive measures are also reported to address this topic.</p>	Good
		Limited
		Weak
Governance	<p>Société Générale SFH's performance in the Corporate Governance pillar is good.</p> <p>The Board of Directors is composed of 8 members, of which 7 are employees of Société Générale Group and one is considered Independent. Five Board meetings are held during the year, and attendance rates are below 60%. The roles of CEO and Chairman are separated and 37% of Board members are women. Training is conducted in line with Société Générale Group's policy, which includes access to CSR online trainings for all its employees. Société Générale SFH being fully integrated into Société Générale Group's CSR organisation and management, there is no CSR Committee as part of the Board.</p> <p>The performance of the Board is annually evaluated through a questionnaire completed by the Board members. The performance is also reviewed and evaluated by SFH's Nomination Committee. However, there is no external assessment of the Board's performance.</p> <p>As regards the Nomination Committee and the Audit Committee, they are both composed of 3 members of which one is considered Independent. All members of the Audit and Nomination Committee are also Board members. It is to be noted that the Remuneration Committee is delegated to Société Générale Group.</p> <p>Société Générale SFH has delegated the functions of permanent and periodic control as well as compliance to Société Générale Group. SFH is an integral part of the scope of coverage of the Group's audit bodies and therefore follows its internal control practices, particularly by setting up a permanent monitoring system for transactions. Regarding prevention of corruption, money laundering and lobbying, Société Générale SFH follows Société Générale Group's commitments and objectives, which display a limited and good performance, respectively.</p>	Advanced
		Good
		Limited
		Weak

### **Management of stakeholder-related ESG controversies**

As of today, no controversy was identified for Société Générale SFH related to ESG factors.

### **Involvement in controversial activities**

Société Générale SFH is not involved in any of the 15 controversial activities screened under our methodology, namely: 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.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

## Part II. ISSUANCE

### Coherence of the issuance

Context note: As the global economy's largest sector by market capitalization, banks have a great potential to support society's transition to a low carbon and sustainable economy. Their actions are key in the promotion of effective solutions for the development of sustainable finance products and services, and the minimization of the negative impact of their investments and activities on the environment and society. The banking sector can effectively contribute to these challenges by integrating ESG factors in their financing operations and by mobilizing the resources needed to close the financial gap, estimated at around USD 1.5 trillion per year<sup>6</sup>, to meet the objective of the Paris Agreement to limit global temperature increase to below 2°C.

**We are of the opinion that the contemplated Bond is coherent with Société Générale SFH's main sustainability priorities and sectorial issues, and contributes to achieve the Issuer's CSR commitments.**

As a wholly owned subsidiary, the Issuer is aligned to Société Générale Group's corporate strategies and policies.

Following the 2015 Paris Agreement on climate change, Société Générale Group committed to keep its activities in line with the 2° degree scenario and to contribute to the zero emission goal. Consequently, Société Générale has defined a climate strategy, which applies to Société Générale SFH, to support its client through the transition by offering specific products and services as well as by managing its own emissions.

- As part of its climate strategy, Société Générale is scaling back carbon-heavy investments and stopped financing coal related activities, as well as oil sand production and oil drilling in the Arctic. In addition, the company has recently announced its decision to cease offering financial services and products to client companies whose activity in thermal coal represents 50% or more, and for those where thermal coal represents 30-50% if they do not have a reduction strategy in place.
- Moreover, for the past three years, Société Générale has been assessing the carbon footprint (indirect emissions) of its balance sheet and has set requirements regarding its clients environmental and social impacts.
- The company also committed to reduce its own carbon footprint by reducing the carbon footprint per occupant by 25% from 2014 levels by 2020 and improve the energy efficiency of the Group's buildings of 20% between 2014 and 2020. To this matter, a Carbon Tax Programme was launched in 2012.
- In addition, contributing to the development of sustainable cities is a major axis of the company's climate strategy, especially within its real estate activities. Within its Retail Banking activities in France, a team dedicated to the Greater Paris project was created and Société Générale was selected to support the development of the housing offer in areas under pressure and therefore answering the challenges of eco-housing, urban renewal and social diversity in sustainable cities.

By issuing a Positive Impact Framework to finance green residential mortgages, the Issuer coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of environmental responsibility.

<sup>6</sup> According to the United Nations Framework on Climate Change.

Alignment with the Green Bond Principles

Use of proceeds

The net proceeds of the Bond will refinance, in part or in full, projects falling into one Eligible Category of Projects (“Eligible Loans”) namely: Green Residential Mortgages. The Eligible Category is formalized and considered clearly defined.

The Eligible Category is intended to contribute to one environmental objective, namely climate change mitigation. This objective is formalized in the Framework, and considered clearly defined and relevant.

The environmental benefits of the Eligible Category are clearly defined. The Issuer has estimated ex-ante quantified environmental benefits for the Eligible Category.

In the context of a Positive Impact Covered Bond, the Issuer has transparently communicated on the refinancing share, which will be of 100%. The Issuer has committed that the look-back period for the provision of Eligible Loans will be limited to the allocation of fund to loans with an initial drawdown starting after January 1st, 2015. An area of improvement consists in refinancing loans with an initial drawdown that does not exceed 36 months of look-back period, in order to be in line with market practices.

Eligible Category	Definition	Environmental Objectives and expected benefits	Vigeo Eiris analysis
<b>Green Residential Mortgages</b>	<p>Eligible green residential mortgages (single family dwellings and multi-family dwellings), meeting all of the following criteria:</p> <ul style="list-style-type: none"> <li>▪ located in Metropolitan France</li> <li>▪ owner-occupied</li> <li>▪ belonging the top 15% low carbon buildings at national level<sup>7</sup></li> <li>▪ compliant with the thermal regulation RT 2012</li> <li>▪ purpose of the loan is the acquisition of a new housing</li> </ul>	<p><b>Climate Change Mitigation</b></p> <p>CO2 emissions avoided <i>Estimated benefit for eligible loans: 15,926 tCO2eq per year</i></p> <p>Energy savings <i>Estimated benefit estimated for eligible loans: 90,695 MWh per year</i></p>	<p>The definition of the Eligible Category is clear and the eligibility criteria are clearly defined. The Issuer has presented to Vigeo Eiris the eligible universe to be refinanced by the Bond.</p> <p>The Issuer has transparently displayed the portfolio of Eligible Loans.</p> <p>The environmental objective of the Eligible Category is clear and relevant.</p> <p>The expected environmental benefits are clearly defined and have been quantified prior to the issuance.</p>

In addition, we consider that the Eligible Loans are likely to contribute to two of the United Nations Sustainable Development Goals (“SDGs”), namely: 7. Clean and affordable energy, and 13. Climate Action.



UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all. More precisely, SDG 7 targets by 2030 include:

- 7.3. By 2030, double the global rate of improvement in energy efficiency.



UN SDG 13 consists in taking urgent action to combat climate change and its impacts.

- Companies in the financial sector can contribute to this goal by providing financial services aimed at improving energy efficiency in the Real Estate field.

<sup>7</sup> The Issuer reports that the 15% best performance buildings is applied at national level due to limited availability of reliable and relevant data to adopt a city or regional level approach.

### Process for Evaluation and Selection

**The governance and the process for the evaluation and selection of the Eligible Loans are clearly defined in the Framework. We consider that the process is reasonably structured, transparent and relevant.**

The process is reasonably structured and based on relevant internal and external expertise, with well-defined roles and responsibilities:

- A Positive Impact Covered Bond Committee (or “Bond Committee”) has been created in order to ensure the respect of the Framework and oversee the issuance process.

The Committee is composed of:

- Representatives from the Group Treasury (which includes SG SFH’s team)
- Representatives from the Corporate and Social Responsibility department
- Internal Environmental and Social experts
- Loan originators (Retail Banking in France, Boursorama, Credit du Nord)
- SG SFH’s team, which is part of the Group Treasury, is responsible for identifying the Eligible Loans falling under the defined eligibility criteria.
- SG SHF’s submits a portfolio of Eligible Loans to the Bond Committee, which is responsible for its validation.

Traceability and verification are ensured throughout the process:

- The process for selection and evaluation is documented via audit trails and the validation of the Eligible Loans portfolio by the Bond Committee is formalized within meeting minutes.
- The process is internally verified by the Bond Committee which ensures the respect of the Framework.

The Issuer reports that the selection process will be verified during the external review process of the reporting by an independent third party or auditor.

### **The process relies on explicit and relevant eligibility criteria (selection and exclusion).**

- The selection criteria are based on the definition of the “Eligible Category”, for which criteria are explicitly stated.
- Considering exclusion, mortgages for which the underlying property displays the following characteristics will be excluded:
  - Secondary residence, due to their unfavorable ratio of usage per occupant with regards to their environmental and social impacts.
  - The DOM TOM territories, as energy performance data cannot be compared between metropolitan territories and offshore territories due to significant difference in climatic characteristics.
- A controversy analysis is part of the KYC due diligence operated by the loan originators in Société Générale’s Retail Network. The analysis includes the identification, evaluation and management of potential E&S risks associated to clients, through dedicated tools and search of public E&S controversies. An E&S exclusion list (companies involved in activities related to prohibited or controversial weapons) and an E&S surveillance list (companies, projects or sectors being under criticism or targeted by civil society public campaigns) are in place.
- In addition, the Positive Impact Covered Bond Committee will monitor potential material controversies<sup>8</sup>. In case of a controversy displaying an impact on the eligible portfolio, the Issuer will implement appropriate measures such as removing the concerned loans from the eligible portfolio and replacing them by Eligible Loans.

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<sup>8</sup> The Issuer defines a “material controversy” as a controversy which significantly impacts the building sector from a environmental and/or social stand point. This could include, and is not limited to, the non-respect of environmental rules set by the French government and working conditions during the building phases.

**The identification and management of environmental and social risks associated with the selected Eligible Loans is considered good.**

Environmental risks: the identification and control of environmental risks is considered to be overall good.

The Issuer follows a methodology for the identification of green mortgage eligibility relying on explicit environmental criteria. The methodology takes into consideration the performance of buildings based on their energy efficiency and GHG emissions. In addition, the Issuer's approach includes the rate of occupancy of buildings through the exclusion of secondary residences from its portfolio, and targets buildings that have been recently built and are compliant with the thermal regulation RT2012 in France. This regulation sets the maximum energy consumption a building can have in terms of average annual energy consumed per meter squared (m<sup>2</sup>).

Société Générale SFH has aligned its methodology to only include loans directed to buildings that belong to the top 15% performers in terms of energy efficiency in France.

An area of improvement is to include other environmental aspects within the assessment, including the buildings' water performance, waste management and management of environmental impacts of the end-of-life of the asset.

Social risks: the identification and control of social risks is considered to be good.

A pre-authorization analysis is conducted on the clients to determine economic suitability and the risk level of the transaction.

The Issuer reports that the advertising rules concerning the services offer are in line with existing regulation on marketing and communication. These regulations determine the main characteristics to be respected in the offers made by the Issuer and include the delays client benefit to cancel their subscription to the Issuer's services.

In terms of client satisfaction, the Issuer ensures the existence of a mechanism to inform clients about their rights that is free-of-charge. This is done through a committee that reviews client satisfaction and regulations linked to the treatment of unsatisfied clients. In addition, the Issuer informs clients of mechanisms to resolve potential disputes with the Bank, which is handled by a third-party mediator.

The Issuer reports that it conducts Know-Your-Customer (KYC) procedures that include the identification and verification of the client's personal associations, absence of international sanctions, risk mapping linked to money laundering or financial contribution to controversial activities (mainly based on prohibited weapons), review of public controversies the client may be involved in, and verification of fiscal residence. Depending on the level of risk of money laundering, the review of a client's profile is updated every 2 to 10 years. These reviews are also conducted in case an extraordinary event is identified (public investigation, change of economic activity, Anti-Money Laundering alert, among others).

In addition, low-income clients have access to subsidies loans and Zero Interest Loans, upon meeting eligibility criteria.

**Management of proceeds**

**The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.**

The allocation process is clearly defined and the allocation of funds is documented.

- The net proceeds of the Positive Impact Covered Bond will be managed by SFH's team within Société Générale Group's Treasury.
- The Issuer commits to allocate 100% of net proceeds immediately after Issuance to a portfolio of Eligible Loans that matches or exceeds the balance of net proceeds. Moreover, the Issuer reports that the net proceeds of the Bond represent a minority portion of the total Eligible Positive Impact Loans.
- In case of divestment from a loan or removal of a loan from the pool of Eligible Loans, due to the identification of controversies or if a loan is no longer compliant with the Framework, the Issuer commits to immediately reallocate the equivalent amount of proceeds to other Eligible Loans.

The traceability and verification are ensured throughout the process:

- Eligible Loans that meet the eligibility criteria are flagged as Eligible Loans and tracked into the internal Group Treasury IT system dedicated to Société Générale SFH, segregating all the assets refinanced.
- The eligibility criteria specific to the issuance of the Positive Impact Covered Bond are added to the SFH legal criteria to enable the tracking of the positive impact eligible loans to which the Positive Impact Covered Bond proceeds have been allocated.
- The allocation of proceeds and the conformity of the Eligible Loans to the eligibility criteria will be verified by an external auditor.

### **Monitoring & Reporting**

**The reporting process and commitments are considered to be good, covering both the funds allocation and the environmental benefits of the Eligible Category.**

The process for data collection, consolidation, monitoring and reporting of the financial and non-financial information is clearly defined by the Issuer.

- The monitoring process will be conducted at two levels:
  - A general monitoring by the Loan Originators in the Retail Network during the life of each loan within the frame of the credit process
  - A specific monitoring by the Bond Committee at the time of the allocation of proceeds and of the reporting
- The Bond Committee, with the support of an external consultant, will be in charge of the elaboration of the reports, which will be done through a dedicated monitoring tool .
- The reporting will be presented on a portfolio basis, produced annually and until the maturity of the Bond. These reports will be publicly available on SG's Investor Relations webpage.

The Issuer has committed to transparently communicate on a portfolio basis:

- The allocation of proceeds: the selected reporting indicators related to the fund's allocation are relevant.

<b>Reporting indicators</b>
<ul style="list-style-type: none"> <li>- Breakdown of Eligible Loans (per year)</li> <li>- Allocated proceeds</li> <li>- Unallocated proceeds (amount and types of instruments)</li> </ul>

- Environmental benefits: the selected reporting indicators are relevant to the Eligible Category.

<b>Eligible Category</b>	<b>Output indicators</b>	<b>Impact Indicators</b>
<b>Green residential mortgages</b>	<ul style="list-style-type: none"> <li>- Number of residential mortgage loans contributing to energy savings and GHG emissions avoidance financed</li> </ul>	<ul style="list-style-type: none"> <li>- Estimated GHG emissions avoided (in tCO<sub>2</sub>e)</li> <li>- Annual energy savings (in MWh)</li> </ul>

The Issuer reports that in case of methodological changes in the selection and evaluation process of the Eligible Loans, or in case of other material developments, this information will be communicated on SG's website within the the annual reporting.

The key methodologies and assumptions used to calculate the environmental benefits of the Eligible Loans are clearly defined and will be publicly disclosed on Société Générale's Debt Investors webpage.

## Alignment with the Principles for Positive Impact Finance

### Definition

**The Eligible Loans deliver a positive contribution to one of the three pillars of sustainable development, based on their evaluation of both potential positive and negative impacts.**

Société Générale SFH's team, together with the Positive Impact Covered Bond Committee, identifies, assesses and selects Eligible Loans that deliver a positive contribution to one of the three pillars of sustainable development and for which potential negative impacts have been considered and managed. The Eligible Loans are likely to contribute to two United Nations Sustainable Development Goals, namely: 7. Affordable and clean energy and 13. Climate Action.

The issuer has decided to focus on the climate change mitigation objective, by limiting its scope to a portfolio of residential mortgages selected for their clear positive contribution to climate and their support to the transition to a low carbon future.

### Framework

**The Issuer has established adequate processes, eligibility criteria, methodologies and tools, to identify and monitor the positive impact of the Eligible Loans to be refinanced by the Bond.**

The Issuer has developed a dedicated internal methodology and tool, in collaboration with an external consultant specialized in real estate environmental and societal issues, for the asset evaluation and selection and the impact measurement under SG SFH's Positive Impact Covered Bond Framework. The selection and evaluation of the Eligible Loans is based on defined eligibility criteria and according to the Positive Impact Assessment Methodology. Two main environmental benefits have been identified and will be assessed: estimated energy savings (in MWh) per year and estimated avoided GHG (in tCO<sub>2</sub>eq) per year.

In addition, the Issuer has allocated and equipped staff to enforce the Positive Impact processes by establishing a Positive Impact Covered Bond Committee, integrating representatives with relevant multi-disciplinary expertise, namely in CSR and Environmental and Social issues, and by working with external parties (specialized consulting firm, second party opinion and third-party assurance). The Positive Impact Covered Bond Committee is responsible for ensuring the respect of all the commitments established in the Framework and oversee the issuance process.

The net proceeds of the Bond will be adequately tracked by the Issuer using an internal tracking system for the proceeds allocated to the eligible loans within the eligible portfolio.

The Issuer has established explicit rules for the management of proceeds. The Issuer reports that, in case of a shortfall in eligible loans within the identified portfolio, the unallocated proceeds will be held in SG SFH's treasury and used for the refinancing of the non-eligible part within the eligible loans universe. In addition, the Issuer commits to prevent that unallocated proceeds are held in carbon intensive investments or controversial activities.

### Transparency

**Société Générale SFH has transparently disclosed the type of loans to be refinanced by the Bond, the associated intended positive impacts; the processes, methodologies and KPIs to monitor and verify impacts; and the impacts achieved by the loans. Société Générale SFH will annually, and until the Bond's maturity, provide an Allocation and Impact Reporting on the Positive Impact Covered Bond that will be made available via SG's Investor Relations webpage.**

Société Générale SFH's Positive Impact Covered Bond Framework and the Second Party Opinion will be made available via SG's Investor Relations webpage. The allocation of proceeds, the compliance of the eligible loans with the eligibility criteria and the environmental metrics included in the report will be annually verified by an external auditor.

### Assessment<sup>9</sup>

**The assessment of the actual positive impacts achieved by the Bond is based on ex-ante estimates, namely estimated energy savings and avoided GHG.**

The Positive Impact Assessment will be processed internally, using the methodology and tool elaborated in collaboration with a specialized external consultant. The content of the Impact Report will be annually reviewed by an independent third party.

The criteria used by Société Générale SFH to assess the Positive Impact of the Bond are clearly defined, covering the climate change mitigation benefits of the Bond.

The level of additionality is limited, considering the facility to access other sources of financing by this sector.

<sup>9</sup> According to the UNEP FI's interpretative guidance provided to Vigeo Eiris on June 27<sup>th</sup> 2019, the impact assessment can be based on predictive models which consists in defining ex-ante estimated impacts.

## METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the issuer's Corporate Social Responsibility as an organization, and on the objectives, management and reporting of the assets to be (re)financed by this transaction.

Vigeo Eiris' methodology for the definition and assessment of corporates ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on our generic Diversified Banks sector ESG assessment framework and specific issues considering the issuer's business activity.

Vigeo Eiris reviewed information provided by the issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. We reviewed documents and websites of the issuer (including but not limited to Société Générale SFH's Positive Impact Bond Framework).

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

### Part I. ISSUER

*NB: The issuer's performance, i.e., commitments, processes, results of the issuer, related to ESG issues has not been assessed through a complete process of rating and benchmark developed by Vigeo Eiris.*

*The assessment of ESG strategy has been conducted based on information provided by the Issuer, public information and stakeholders' views and opinion collected from public documentation. We have assessed the Sustainability Profile of Société Générale Group, as the 100% owner of Société Générale SFH, with an extended assessment of the Corporate Governance of the subsidiary.*

#### Level of the issuer's ESG performance

The issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) strategy, based on 17 relevant ESG drivers organized in the 6 sustainability domains. Société Générale SFH's strategy has been assessed by Vigeo Eiris based on its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

#### Stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).
- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

### Involvement in controversial activities

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

## **Part II. ISSUANCE**

*The Bond has been evaluated by Vigeo Eiris according to the Green Bond Principles of the ICMA, the Principles for Positive Impact Finance of UNEP FI, and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.*

### Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance Eligible Loans. Each Eligible Loan endorsed shall comply with at least one of the Eligible categories definitions in order to be considered as an Eligible Loans. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental objectives. The sustainability purpose of the Positive Impact Bond related Eligible Loans has been assessed based on the described and estimated benefits of Eligible Loans. The contribution to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

### Process for asset evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of eligibility criteria and associated supporting elements integrated in the Positive Impact Bond issuance, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

### Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

### Reporting

Reporting indicators, processes and methodologies are defined by the issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Eligible Loans financed by the Positive Impact Bond proceeds, collected at project level and potentially aggregated at Bond and/or Program level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

## **VIGEO EIRIS' ASSESSMENT SCALES**

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 5 exclusive research partners, is present in Brazil, Germany, Israel, Japan and Mexico.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)

#### Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not executed any audit mission or consultancy activity for Société Générale SFH until so far and no established relationship (financial or other) exists between Vigeo Eiris and Société Générale SFH. Of note, Société Générale owns 100% of Société Générale SFH. Vigeo Eiris has carried out 5 audit missions and no consultancy for Société Générale over the last 5 years. No established relationship (financial or other) exists between Vigeo Eiris and Société Générale.

This opinion aims to explain for investors why the Positive Impact Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the loans refinanced by the Positive Impact Bond. Société Générale SFH is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Positive Impact Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of the Issuer or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties.

Restriction on distribution and use of this Opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication is at the discretion of the Issuer, submitted to Vigeo Eiris approval.