

## EXTRACT

In January 2017, the French Republic issued the first French sovereign green bond (green OAT 1.75% 25 June 2039) (hereafter referred to as the "Green OAT"), dedicated to expenditures in line with the commitments that France made for the implementation of the Paris Climate Agreement under the terms of the Energy Transition and Green Growth Act. Agence France Trésor (AFT), tasked with managing the government debt and cash positions, had mandated Vigeo Eiris as an independent expert to deliver a Second Party Opinion on the Green OAT<sup>2</sup>.

Since then, in order to maintain the liquidity of this Green OAT through tap issues after the initial issuance, as for conventional benchmark OATs, AFT has issued twice, first €1.6 billion in June 2017 and in second time €1.1 billion in December 2017, bringing the total outstanding Green OAT debt standing at €9.7 billion as at December 31 2017.

During the same period, AFT met its commitment to set up the Green OAT Evaluation Council, which met for the first time on December 11, 2017. AFT plans to publish reports on the use of proceeds, outputs and impacts as soon as 2018.

### SCOPE

Vigeo Eiris, acting as an independent third party expert, was commissioned by AFT to update its opinion on the sustainability credentials and management of the Green OAT, according to Vigeo Eiris' Environmental, Social and Governance (ESG) assessment methodology and in line with the Green Bond Principles guidelines.

Our opinion is prepared in accordance with our proprietary social responsibility performance and risk assessment methodology (Environmental, Social and Governance Factors - ESG) and in line with the Green Bond Principles - GBP. This review involves updating our initial opinion on the following two components:

- **Issuer:** evaluation of the issuer's sustainability performance.
  - Comparative analysis, as of November 2017 (date of the last rating cycle), of the level of integration of sustainable development principles and objectives in the Issuer's institutional systems and public policies.
  - Review of sustainability-related stakeholder feedbacks on France's sustainability commitments and practices from public information in order to take account of their views and opinions for the year 2017.
- **Green Expenditures 2018:** assessment of the environmental aspects of the Green Expenditures that would be financed by future tap issues over the year 2018.
  - Use of proceeds: document-based review of the correspondence of these Green Expenditures 2018 with the six Green Sectors defined in the "Framework for the Green OAT".
  - Evaluation and selection process: review of the transparency and implementation of AFT's commitments regarding the evaluation and selection process for Green Expenditures and the application of the eligibility criteria initially defined by AFT.

Vigeo Eiris' sources of information are gathered from our sovereign issuers rating database, public information, the issuer and data published by its stakeholders. We were able to access all solicited documents. Vigeo Eiris has carried out its due diligence from March 6 to April 3, 2018.

<sup>1</sup> This opinion is to be considered as the "Second Party Opinion" described by the International Capital Market Association ([www.icmagroup.org](http://www.icmagroup.org)).

<sup>2</sup> [http://www.aft.gouv.fr/articles/l-oat-verte\\_12845\\_ing1.html](http://www.aft.gouv.fr/articles/l-oat-verte_12845_ing1.html)

## VIGEO EIRIS' OPINION

- **Issuer:**
  - ▶ France overall sustainability performance, as a sovereign bond issuer, is advanced and stable: the issuer continues to demonstrate an advanced<sup>3</sup> performance (best level on our rating scale), among the best at the European and global scale, with an advanced level of performance in the environmental domain.
  - ▶ Since our initial opinion, France has faced occasional allegations, mainly related to its institutional responsibility, as observed for its pairs. France is considered as "remediative": the country communicates in a transparent way on its cooperation with impacted parties and the corrective actions implemented.
- **Green Expenditures 2018:** we have a reasonable level of assurance on the green credentials on the Green Expenditures identified by the interministerial working group for 2018:
  - ▶ The proceeds will be used to finance and refinance Green Eligible Expenditures corresponding to six Green Sectors. We have a reasonable level of assurance on the issuer's capacity to use the OAT proceeds for projects contributing to climate change mitigation and adaptation, protection of natural resources and reduction of ecosystems degradation, in line with seven United Nations' Sustainable Development Goals (UN SDGs).
  - ▶ We consider that the overall level of implementation of issuer's commitments is good in terms of evaluation and selection process, application of eligibility criteria and allocation of proceeds from the Bond.

Paris, April 3, 2018



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### Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: since 2013, Vigeo Eiris has executed one audit mission for the French Republic (Second Party Opinion in 2017). No established relationship (financial or other) exists between Vigeo Eiris and the French Republic. The hereby review is an independent opinion delivered to Agence France Trésor at its demand and is aimed at investors and/or other stakeholders. Its aim is to explain to investors why the 2017 Green OAT and its tap issues are considered as sustainable and responsible. It has been established based on the information that has been made available to Vigeo Eiris and that we have analysed based on our internal methodology and our internal quality control rules. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the impacts from projects financed by the Green OAT. The French Republic 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 Green OAT, nor on the effective allocation of funds' use of proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investment decisions or to make any kind of business transaction. The opinion delivered is not a conclusion on the creditworthiness of the French Republic or its financial obligations may under no circumstances be invoked or used in the context of a dispute or a mechanism for settling a commercial dispute.

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<sup>3</sup> Vigeo Eiris rating scales:

Performance level : advanced, good, limited, weak.  
Assurance level: reasonable, partial, weak.



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Rating

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Enterprise

Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

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