

SECOND PARTY OPINION

on the sustainability of Crédit Agricole Next Bank's Green Covered Bonds

V.E considers that Crédit Agricole Next Bank's Green Covered Bonds are aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP").



Covered Bonds

Contribution to Sustainability :



☒ Advanced
 ☐ Limited
 ☐ Robust
 ☐ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Framework

Green Project Categories	Green Building
Project locations	Switzerland
Existence of framework	Yes
Share of refinancing	100% refinancing for the first issuance
Look back period	Not disclosed

Issuer

Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	None
Frequency	N/A
Severity	N/A
Responsiveness	N/A

Coherence

Coherent

Partially coherent

Not coherent

V.E considers that the contemplated Bonds are coherent with Crédit Agricole Next Bank's strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that Crédit Agricole Next Bank's Bonds are aligned with the four core components of the GBP.

Use of Proceeds - aligned with GBP

- The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.
- The Environmental Objective is clearly defined, relevant for and set in coherence with sustainability objectives defined in international standards for the Eligible Category.
- The Expected Environmental Benefits are clear and precise, relevant, measurable, and will be quantified for the Eligible Category in the reporting.
- The issuer has transparently communicated the estimated share of refinancing for the first issuance (100%) and has committed to inform at least to investors the share of refinancing before each issuance. The Issuer has not provided information on the look-back period for refinanced loans.

Evaluation and Selection - aligned with GBP and best practices identified by VE

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible loans). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in the Framework.
- Eligibility criteria (selection) for assets linked to the Eligible Assets have been clearly defined and detailed by the Issuer.
- The E&S risks identification and mitigation process is publicly disclosed in this SPO and is considered robust, it combines monitoring, identification and corrective measures (see detailed analysis on pages 13-14).

Management of Proceeds - aligned with GBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the hereby SPO.
- The proceeds will be allocated immediately at the time of issuance, as it is a 100% refinancing scheme.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- There will be no unallocated proceeds. If, by any case, 100% of proceeds of the Bonds were not allocated at the settlement date or a shortfall of Eligible Assets, the Issuer has committed to keep unallocated proceeds in the form of money market products (liquid, low risk instruments) or to invest them in Green Bonds or kept in central bank's account (SNB), following corporate strategy, in line with good market practices.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible category made during that period.
- The Issuer has provided information on the procedure that will be applied in case of loans divestment and it has committed to reallocate divested proceeds to loans that are compliant with the bond framework.

Reporting - aligned with GBP and best practices identified by VE

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report and its external verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the loans.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Assets will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Assets and the indicators used to report on environmental benefits until bond maturity.

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Green Covered Bonds¹ (the “Bonds”) to be issued by Crédit Agricole Next Bank (the “Issuer”) in compliance with the Crédit Agricole Group Green Bond Framework (the “Framework”) and the Appendix: Eligibility Criteria for Swiss Green Residential Real Estate, created to govern their issuances.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (“GBP”) - edited in June 2021.

Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the GBP 2021.
- Issuer²: we assessed the Issuer’s management of potential stakeholder related ESG controversies and its involvement in controversial activities³.

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

We carried out our due diligence assessment from August 12th to 30th, 2021. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Green Covered Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Covered Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

² Crédit Agricole SA, mother company of Crédit Agricole Next Bank, is part of V.E rating universe - the last ESG rating was performed in 2021. In agreement with the Issuer, this Second Party Opinion does not include the 2021 assessment of Crédit Agricole SA ESG performance. Crédit Agricole Next Bank is not part of our rating universe.

³ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Bonds are coherent with Crédit Agricole Next Bank's strategic sustainability priorities and sector issues and that they contribute to achieving the Issuer's sustainability commitments.

As the global economy's largest sector by market capitalization, banks have great potential to support society's transition to a low carbon and sustainable economy. Their action is 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 environment, people and society. In particular, 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 around USD 1.5 trillion per year, to meet the objective of the Paris Agreement to limit global temperature increase to below 2°C. In particular, banks have a great potential in fostering the development of green building and of improving the energy efficiency of the housing stock.

According to the Swiss Federal Office of Energy, the Swiss buildings stock consumes approximately 45 % of the total energy demand in Switzerland and accounts for about one third of Switzerland's CO₂ emissions. To be in line with the EU energy policies and to achieve the Paris climate agreement objectives, the Swiss Federal Council has decided to reduce net CO₂ emissions to zero by 2050 and has been developing and implementing the "Energy Strategy 2050" since 2011. The Swiss Federal Government and the cantons launched in 2010 a building program that aims to promote energy-efficient refurbishments of buildings as well as investments in renewable energy, waste heat recovery and the optimization of building services technology.

Crédit Agricole S.A., ultimately Crédit Agricole Next Bank's mother company, appears to acknowledge its role in providing solutions to promote and facilitate the transition to a low carbon and sustainable economy and has developed sustainable finance products and services to minimize its impact on climate change and society. The company is also a signatory of UN Global Compact, a member of Paris Finance for Tomorrow, and signatory of the Net Zero Banking Alliance.

Crédit Agricole CIB is a co-founder of the GBP and the only European bank that took part in drafting them in 2013. Crédit Agricole CIB is also a signatory of the Equator Principles III, being the first French bank to sign the Equator Principles in 2003, the year of launching. Amundi is a signatory of the UNPRI and has joined the Net Zero Asset Managers Initiative.

In 2009, the Group created a Sustainable Banking team to support and advise its main clients on their transactions involving social and environmental considerations and selected four of the fields of excellence selected by the Crédit Agricole Group: agriculture and food processing, housing, health and ageing population, and energy saving and the environment. The Bank also commits to integrating environmental issues in its lending and investment activities in 'FReD', the Group CSR policy rolled out in 15 Group entities, while Crédit Agricole CIB adopted sector policies including for Construction Sector. ESG policy also applies to 100% of Amundi's actively managed funds.

In 2019 the Group has adopted a new group strategic plan "Ambition 2022" which targets, among other things, the objective of making "green finance" a key growth driver for the group by:

- Committing all Group entities to a common climate strategy in line with the Paris Agreement;
- Strengthening its commitment to finance energy transition by, among other things, doubling the size of the green loan portfolio to €13bn by 2022 and aligning its sectorial policies with the Paris Agreement;
- Promoting clean and responsible investment policies.

COVERED BONDS

The Issuer has described the main characteristics of the Bonds within a formalized Green Bond Framework that covers the four core components of the GBP 2021 (the last updated version was provided to V.E on March 03rd, 2021). This document is publicly accessible on Crédit Agricole Group's website, in line with good market practices.

Alignment with the Green Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively refinance, in part or in full, loans or investments ("Eligible Assets") falling under one Green Asset Category ("Eligible Category"), as indicated in Table 1.

- The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.
- The Environmental Objective is clearly defined, relevant for and set in coherence with sustainability objectives defined in international standards for the Eligible Category.
- The Expected Environmental Benefits are clear and precise, relevant, measurable, and will be quantified for the Eligible Category in the reporting.
- The issuer has transparently communicated the estimated share of refinancing for the first issuance (100%) and has committed to inform at least to investors the share of refinancing before each issuance. The Issuer has not provided information on the look-back period for refinanced loans.

An area for improvement would be to limit the lookback period to a maximum of 36 months to be in line with market practices.

BEST PRACTICES

- ⇒ Eligibility criteria are clear and in line with international standards for the Eligible Category.
- ⇒ Relevant environmental benefit is identified and measurable for the Eligible Category.
- ⇒ The issuer has transparently communicated the estimated share of refinancing for the first issuance (100%) and has committed to inform at least to investors the share of refinancing before each issuance.

Table 1. V.E' analysis of the Eligible Category, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework.

- Nature of expenditures: Mortgage loans
- Location of Eligible Projects/Assets: Switzerland



ELIGIBLE CATEGORY	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Green Building	<p>Loans or investments to finance new or existing residential buildings aligned with current environmental regulation and belonging to the top 15% of the most carbon efficient buildings (kg CO₂e/sqm) in Switzerland:</p> <ul style="list-style-type: none"> - Residential mortgages loans financing the acquisition of Swiss residential properties with: CECB⁴ A or B which are less than 10-years old or Minergie⁵ certificates (Minergie, Minergie-P or Minergie-A) issued after 1st January 2017; - Residential mortgages loans financing the acquisition of Swiss residential buildings built after 1st January 2016, in absence of energy certificates. <p>Please see: Appendix: Eligibility Criteria for Green Residential Real Estate in Switzerland in Crédit Agricole Green Bond Framework for further details.</p>	<p><u>Climate Change Mitigation</u></p> <p>GHG emission avoidance</p> <p>Energy savings</p>	<p>The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Assets.</p> <p>The Environmental Objective is clearly defined, it is relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear and precise, they are considered relevant, measurable, and will be quantified for the Eligible Category in the reporting.</p>

⁴ Certificat énergétique cantonal des bâtiments

⁵ Minergie - MINERGIE Schweiz

SDG Contribution

The Eligible Category is likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Green Buildings		7.3 Double the global rate of improvement in energy efficiency
		UN SDG 13 consists in taking urgent action to combat climate change and its impacts. The financial sector can contribute to this goal by investing in the transition to net-zero carbon buildings, energy efficiency and the avoidance of GHG emissions.

Evaluation and Selection of Eligible Loans



- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of eligible loans). The roles and responsibilities are clear and include relevant internal expertise. The process is publicly disclosed in the Framework.
- Eligibility criteria (selection) for assets linked to the Eligible Assets have been clearly defined and detailed by the Issuer.
- The E&S risks identification and mitigation process is publicly disclosed in this SPO and is considered robust, it combines monitoring, identification and corrective measures (see detailed analysis on pages 13-14).

Process for Project Evaluation and Selection

The evaluation and selection of Eligible Assets is based on the CA Next Bank's Business as Usual (BaU) procedure. Additionally, for the purpose of the Bonds, a Green Committee ("the Committee") has been created at Crédit Agricole Group level.

This Committee is composed of representatives of:

- Head of Crédit Agricole Group CSR
- Head of Crédit Agricole Group Treasurer
- Head of Crédit Agricole Group Medium/Long Term Funding
- A Senior Manager from Crédit Agricole Regional banks
- A Senior Manager from each entity contributing to the Green Portfolio
- Business as Usual Procedure:
 - The account managers are responsible for responding to the financing requests of all type of transactions and clients, negotiating lending terms and conducting the due diligence processes.
 - Experts from Economic and Sustainable Departments and/or independent environmental and social experts are responsible for providing support to account managers or for carrying out ad hoc analyses respectively.
 - The Risk Department is responsible for reviewing and issuing a recommendation about the transaction and/or client's risk management and their alignment with the Group's policies.
 - The directors of the Regional Banks or the Credit committees are responsible for reviewing and granting the final transaction or client loan approval.

- Bond Procedure:
 - The different entities of the Group conduct a pre-selection of potential the Eligible Projects, which is presented to the Green Bond Committee.
 - A Green Project Group composed of representatives of the teams in charge of identifying and monitoring the Eligible Projects of each entity, will be responsible for advising the Group entities on the implementation and development of internal systems for the identification and selection of the Eligible Projects.
 - The Green Bond Committee is responsible for reviewing the compliance of the pre-selected potential the Eligible Projects with the eligibility criteria set out in the Framework and the Group CSR Policy, and for selecting and validating the Green Portfolio to be financed by the Bonds.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - The Green Bond Committee will meet every quarter to verify that the Green Portfolio financed by the Bonds continues to comply with the eligibility criteria. The Issuer has committed to reallocate the funds to another Eligible Loan in case of noncompliance. The Issuer has committed to maintain a Green Portfolio at least 30% greater than the total amount of proceeds raised by the Bond until its maturity date.
 - Minutes of each Green Bond Committee meeting will be created to ensure decision traceability.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection), relevant to the environmental objective defined for the Eligible Category.

- The selection criteria is based on the definition in the Eligible Category defined Table 1 in the Use of Proceeds section.

BEST PRACTICES

- ⇒ Eligibility criteria (selection) for asset selection are clearly defined and detailed for the Eligible Category.
- ⇒ The Issuer reports that it will monitor compliance of selected loans with eligibility criteria specified in the Framework throughout the life of the Bonds and has provided details on frequency, duration and on procedure adopted in case of non-compliance.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the hereby SPO.
- The proceeds will be allocated immediately at the time of issuance, as it is a 100% refinancing scheme.
- Net proceeds of the Bond will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- There will be no unallocated proceeds. If, by any case, 100% of proceeds of the Bonds were not allocated at the settlement date or a shortfall of Eligible Assets, the Issuer has committed to keep unallocated proceeds in the form of money market products (liquid, low risk instruments) or to invest them in Green Bonds or kept in central bank's account (SNB), following corporate strategy, in line with good market practices.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible category made during that period.
- The Issuer has provided information on the procedure that will be applied in case of loans divestment and it has committed to reallocate divested proceeds to loans that are compliant with the bond framework.

Management Process

- The total amount of the net proceeds of the Bonds will be allocated at the settlement date, as it is a 100% refinancing scheme.
- The proceeds will be credited to the Group General Treasury and allocated to the entities lending loans. The proceeds will be managed and monitored on a portfolio and nominal equivalence basis by the Treasury and the Medium/Long-term Funding Department.
- The Issuer has put in place an internal accounting system to ensure the appropriate earmarking of the Green Portfolio and the tracking of proceeds until the Bond's maturity date.
- The Issuer has committed to maintain a Green Portfolio at least 30% greater than the total amount of proceeds raised by the Bond until its maturity date.
- In case of project postponement, maturity or if a project fails to comply with the eligibility criteria, the Issuer has committed to make its best effort to replace this project with another Eligible loan compliant to the eligibility criteria.

BEST PRACTICES

- ⇒ The Issuer has provided information on the procedure that will be applied in case of loans divestment and it has committed to reallocate divested proceeds to loans that are compliant with the bond framework.

Monitoring & Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices
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- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report and its external verification will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the loans.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Assets will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Assets and the indicators used to report on environmental benefits until bond maturity.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS

- ⇒ The total amount of the Green Bonds issued at Crédit Agricole Group level and each relevant entity.
- ⇒ The total amount of Green Bond proceeds allocated to the Green Portfolio.
- ⇒ The amount of unallocated proceeds, if any.

The indicators related to the reporting of the share of refinancing, types of temporary placements and co-financing are not relevant for this Framework as issuances are expected to be 100% refinancing and there will be no co-financing.

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear, relevant and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Green Building	Average energy performance level of the dwellings financed (kWh/m ² /year)	Annual avoided GHG emissions (in tCO ₂ e/year)

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until Bond maturity and the report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the loans.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible category.
- ⇒ The reporting methodology and assumptions used to report on environmental benefits of the Eligible Assets will be disclosed publicly.
- ⇒ Environmental benefits and impacts will be externally verified until bond maturity.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on the environmental objective is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Green Building	ADVANCED	According to the EU Commission, Buildings are responsible for approximately 40% of EU energy consumption and 36% of the greenhouse gas emissions. Buildings are therefore the single largest energy consumer in Europe. In addition, according to the Swiss Federal Office of Energy, the Swiss buildings stock consumes approximately 45 % of the total energy demand in Switzerland and accounts for about one third of Switzerland's CO ₂ emissions. Eligible Assets targeting a CECB A or B which are less than 10-years old Minergie certificates (Minergie, Minergie-P or Minergie-A) issued after 1st January 2017 or built after 1st January 2016 (in absence of energy certificates) belong to the top 15% of the most energy efficient buildings in Switzerland and thus are considered to have a positive impact on relative energy consumption and is likely to reduce the overall absolute GHG emissions.
OVERALL ASSESSMENT	ADVANCED	

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust.

Since all assets associated to the Eligible Assets are located in Switzerland, Designated Country of the Equator Principles, deemed to have robust environmental and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation.

Crédit Agricole Next Bank, as part of Crédit Agricole Group, has set up a structured process to ensure the appropriate identification, classification and assessment of the environmental and social risks of all its transactions and clients. In addition, it has committed that all the Eligible Assets shall comply with Crédit Agricole standard credit process, including compliance with the Equator Principles (EPs), with the Group's CSR policy and dedicated sector policies, as well as to any applicable regulatory environmental and social requirements.

V.E notes that an ambitious Real Estate CSR Pact⁶ has been developed by the Issuer at Group level, with robust E&S standards covering all the material ESG risks associated to the assets (based on applying regulation, 2013 Equator Principles or IFC's Performance Standards, as well as on the Ramsar convention, UNESCO heritage list and the SEVESO EU directive). However, V.E have no visibility on the effective application of this group's policies to the loans eligible for the Bonds.

Regarding the borrowers (of the loans), a KYC process is in place, covering the most material compliance and law risks (corruption, money laundering, etc.).

Regarding the financed assets linked to Eligible Assets, the information collected by the account managers does cover the provision of required authorisation and legal documentation by the client, however regarding E&S risks the Issuer only collect information to assess the compliance with the eligibility criteria (CECB's building certificate, Minergies' energy efficiency and living comfort norms, Swiss sustainable Construction Network's standard, 2000 Watts area's standard). No other E&S aspect is formally assessed nor considered by the Issuer.

As regards responsible relation with the clients the Issuer has implemented a complete process for information, complaints management, amicable settlements. The Issuer has implemented a complete process to anticipate cases of default of payment (by assessing client before the loan acceptance) and to support clients facing economic difficulties.

⁶ [Real Estate CSR Pact](#)

ISSUER

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against Crédit Agricole Next Bank over the last four years.

Involvement in Controversial Activities

The Issuer appears to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of 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 V.E.

METHODOLOGY

In V.E's 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 organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;⁷
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable⁸ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E 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 is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned

⁷ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

⁸ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

at the 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).

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, V.E's 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

17 controversial activities have been analysed following 30 parameters to screen the company's involvement 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 specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of the financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

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