Natixis CIB Green Deposit Framework

September 2024

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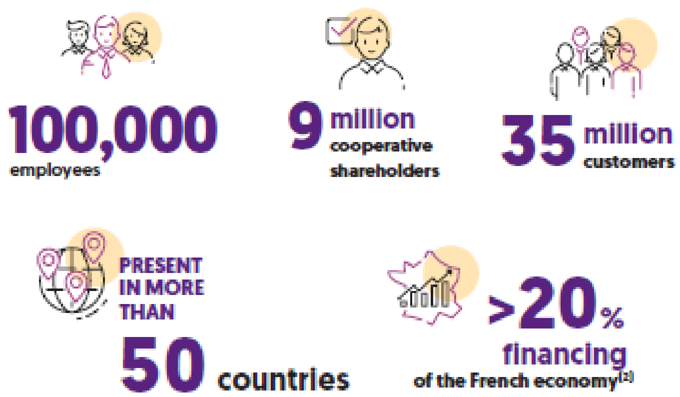
Content

Introduction

1. About Groupe BPCE and Natixis

Groupe BPCE is the second-leading banking group in France[1] and finances over 20%[2] of the French economy. The Group's net banking income totalled € 22.2 billion in 2023.[3]



Its business lines, in France and internationally (presence in more than 50 countries), offer solutions tailored to meet these needs, in Retail Banking, Insurance, Financial Solutions & Expertise, Payments, Asset & Wealth Management, and Corporate & Investment Banking. In the regions and internationally, Groupe BPCE's brands support, with short decision-making circuits, 35 million customers in all their projects, through all distribution channels.

Natixis, a fully owned subsidiary of Groupe BPCE, is a French financial institution specializing in Asset & Wealth Management (respectively with Natixis Investments Managers and Natixis Wealth Management) and in Corporate & Investment Banking (with Natixis Corporate and Investment Banking or Natixis CIB), both of which are grouped within Natixis or Global Financial Services division (GFS). Natixis CIB, the wholesale banking expertise of Natixis, is a major player in international finance that advises its clients on their strategy and supports them in the development and transformation of their activities while maximizing their positive impact. Its objective is to develop a long-term strategic dialogue and to maintain a close relationship with its clients thanks to a strong presence in France and abroad. The subsidiary benefits from the Group's financial strength and solid financial ratings.

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[1] Market shares: 22% in customer savings and 21.1% in customer loans (Banque de France Q3-2022 all non-financial customer categories)

[2] 22.1% market share in loan outstandings, all non-financial sector customer categories (Banque de France Q3-2022).

[3] https://groupebpce.com/en/content/download/37564/file/BPCE2023_URD_EN.pdf

With over 6,000 employees across 30 countries, Natixis CIB is recognized for its expertise and innovation capacities to advise clients on their strategic development. The bank helps clients grow and transform their businesses, as well as maximize their positive impact. Natixis CIB focuses on eight core industries: gas & transition, low-carbon energies, critical metals & minerals, real estate, telecom & tech, healthcare, mobilities, environment.

2. Groupe BPCE, a group with a positive impact

The cooperative status of the Banques Populaires and Caisses d'Epargne, along with their strong local and regional presence, has established **Groupe BPCE** as a financial institution with an inherent "positive impact" since its inception, which has been particularly engaged to decarbonizing the economy in recent years.

By 2030, the group aims to have a positive global impact thanks to the power of local solutions accessible to all: individuals for their energy renovation projects, corporates for their transition plans, local authorities in support of their policies.

OUR COMMITMENT: MAKE POSITIVE IMPACT ACCESSIBLE TO ALL

All clients	All territories and all the society	All employees and boards of directors
Individuals: energy renovation solutions (already 4 million clients) **Corporates:** support for transition plans, tailored to each individual company **Local authorities:** support for their transition policies	**Enabling local players to join forces,** with the help of our **cooperative shareholders** Local initiatives to protect our **natural assets** (water and forests – already 15,000 hectares to our credit)	**Impact Inside:** 100% of the employees, companies and governing bodies of Groupe BPCE committed around ESG issues

With a first milestone in 2026, Groupe BPCE’s strategic plan aims to extend impact solutions to all its clients, by accelerating across all ESG dimensions.

Notably, Groupe BPCE will continue to support energy renovation and changes in the energy mix by increasing renewable energy financings by +15%. Accompanying its corporate clients for their transition is at the heart of the vision through dedicated advisory and a systematic dialog around ESG topics.

Groupe BPCE will maintain its status of key player in territories by increasing financings for the social & solidarity economy, public housing and public actors by +8%.

Moreover, the group is committed to steer decarbonization trajectories of the highest carbon-emitting sectors and to act for preserving over 30 local natural ecosystems.

3. At GFS division level: becoming key global financial players committed to more sustainable economic models

GFS division has set its vision for 2030 with ESG as one of the five boosters supporting businesses performance. Natixis CIB and Natixis IM have also defined their ambition and objectives for 2026:

Positioning Natixis CIB at the heart of transitions by being the bank of clients that are genuinely transitioning:

Provide them with end-to-end support in their sustainable transition planning and delivery

Continue to align our portfolios on the path of 1.5°C, in line with Natixis CIB NZBA commitments and on the back of the *Green Weighting Factor* continuous expansion

Maintain and develop Natixis CIB leadership on green/sustainable & transition finance:

Position Natixis CIB as an early banking partner to key players looking to conquer the nascent market of new energies

Adapt and expand product offering and business origination, including the development of Strategic sector advisory and roll out of ESG advisory

Accelerate Green revenues growth (x1,5 growth of Natixis CIB total results by 2026)

Support & advise Natixis IM's clients in their environmental transition with increased sustainable transition strategies beyond climate, with an ambition of +5% of assets under management in transitions beyond climate (by 2026)

Deliver on client's stewardship expectations and leverage the Natixis IM's multi-affiliates model for collective engagements

Incorporate ESG issues into the heart of our day-to-day actions: Environmental, Social and Governance (ESG) risks are factored into financing and investment activities as part of a global approach involving the business lines, the Sustainability Department and the control functions. The approach includes drafting and applying ESR sector policies (please refer to sections 2 and 3 below)) in the most sensitive sectors, determining excluded sectors, and assessing and monitoring ESG risks on transactions and counterparties using various tools and processes. Training is also one of the key pillars of GFS division ESG objectives with the aim to adequately train all employees on ESG issues.

3.1 Focus on Natixis CIB climate roadmap

A pioneer in green and sustainable finance, Natixis Corporate & Investment Banking helps its clients to reduce the environmental impact of their activities, in particular through its expertise in the "Green & Sustainable Hub". It is committed to aligning its own financing portfolio with a Net Zero trajectory by 2050. It doubled its revenues from green and sustainable activities[4] between 2017 and 2020 and aims to multiply them by 1.7 between 2020 and 2024. The 2024 objective has been already reached, one-year ahead of schedule. By 2026, Natixis CIB aims to see its green revenues growing faster than global Natixis CIB revenues (x1.5).

Furthermore, to support BPCE's net zero emissions trajectory objective, Natixis CIB pledges the alignment of its balance sheet and its investments on a net zero trajectory in line with the Paris Agreement based on its Green Weighting Factor methodology.

As part of its strategic ambition by 2030, Natixis CIB has outlined the objective to "Be at the heart of transitions", i.e.:

1. Be the bank for clients that are genuinely transitioning
2. Maintain and develop Natixis CIB green / sustainable and transition finance leadership
3. Assert ESG as an area of expertise fueling CIB growth.

Natixis CIB's strategic climate trajectory monitoring is articulated against key targets, tools and business levers:

1. NZBA targets[5]
2. Natixis CIB portfolio color mix
3. Green finance (renewables & green revenues)
4. Transition risk exposure limit

3.2 Green Weighting Factor: a worldwide first[6]

To underscore its commitment, Natixis CIB aimed to ensure that every financing it provides to its clients could be accurately measured and monitored in terms of its impact on the climate, whether positive or negative, with the goal of expediting the bank's transition towards sustainability. Since 2018, Natixis CIB has chosen to make the management of its climate trajectory an operational issue. This effort led to the development of a internal management tool, first of its kind, the **Green Weighting Factor** (GWF), which was specifically designed to transform the **bank's credit process and drive the transition pathway of its financing activities**. With strong support from the bank's top management team, Natixis CIB created the GWF to effectively track the environmental impact of its lending activities and ultimately achieve its sustainability objectives.

Since the tool's implementation in Natixis CIB systems and credit processes in 2019, the bank's processes and operations have been transformed – reaching a major milestone in 2022, with the definition of quantitative, granular and ambitious targets. The GWF went from an innovative, operational, deal-by-deal decision-making tool to an actual transition steering mechanism.

Today, the GWF has various use cases in the overall CIB organization:

- Credit process & lending decision making
- Strategic dialogue with clients

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[4] Green revenues: revenues from the Green and Sustainable Hub, from the Renewables sector and from clients and Green Weighting Factor dark green and medium green transactions

[5] https://newsroom.groupebpce.fr/actualites/le-groupe-bpce-elargit-son-ambition-de-reduction-demissions-carbone-en-publiant-de-nouvelles-cibles-sectorielles-46cc-7b707.html and Groupe BPCE amplify its decarbonization ambition by publishing new commitments to cover the eleven most carbon-emitting sectors globally

[6] Natixis rolls out its Green Weighting Factor and becomes the first bank to actively manage its balance sheet's climate impact (groupebpce.fr)
Microsoft PowerPoint - GWF_202010_EN_public info (observatoiredelafinancedurable.com)

- Commercial strategy and client tiering
- Active management of Balance sheet & distribution strategy
- Monitoring CIB's Green revenues
- Climate transition risk assessment
- Product innovation
- Teams' Onboarding
- Contribution to regulatory debates

The GWF is a unique innovation, fully integrated within the bank's internal credit processes and IT system as a mandatory and systematic step ahead of credit decisions.

In April 2022, KPMG delivered positive conclusion in its independent second party opinion report in the form of a limited assurance report qualifying the robustness, environmental integrity of the methodology, its operational implementation and of its ambitions[7].

1. ***Alignment of Corporate & Investment Banking's financing portfolios on a carbon neutral trajectory***

The GWF makes it possible, on a rating scale composed of seven colors ranging from dark brown to dark green, to determine the climate performance while taking into account the risk of the most material non-climate environmental externalities (water, waste, biodiversity, pollution) of all its financing outside the financial sector[8]. This unique tool integrates transition risk into the bank's financing operations.

Based on the Green Weighting Factor rating, an internal capital allocation mechanism links the amount of internal capital allocated to each transaction (analytical credit RWA) to its positive or negative impact on the climate and the environment. All loans with a green color rating receive a discount of up to 50% in their analytical weighted assets, while the weighting of loans with a negative impact on the climate and the environment is increased by up to 24%.

This assessment is carried out on a granular basis for each of the financing exposures on the balance sheet for all banking products (loans, guarantees, sureties, documentary credits) regardless of their maturity, in all geographies and all business sectors with the exception of the financial sector and administrations. At the end of 2022, the coverage ratio of the GWF scope (€124 billion in balance sheet exposures) was 91% (vs. 77% in 2020).

The choice to use a seven-color scale is due to Natixis CIB's desire **to assess the granularity and progressiveness of transition dynamics for all players**. The nuances and differentiation of treatment made possible by these seven levels help Natixis CIB in its main vocation in terms of climate change: to support its clients and the economies in which it operates in the various stages of their transition, taking into account the various starting points, paces and momentum.

GWF Key methodological features:

- Focus on a look-through approach: the ambition is for the GWF to assess the actual purpose of our financings wherever feasible (contractually or system wise). Therefore the financings are split between General purpose financings and dedicated purpose financings. (See below)

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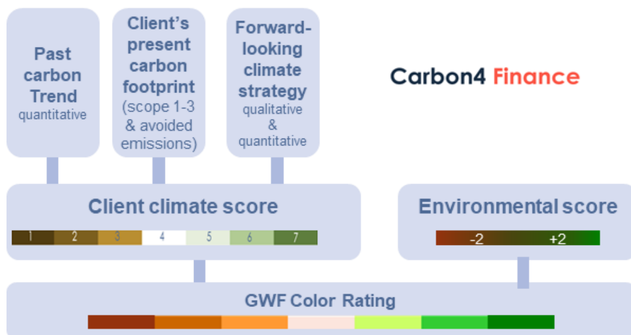
[7] https://natixis.groupebpce.com/wp-content/uploads/2023/01/KPMG-report-2022-Robustness-and-green-integrity-of-Natixis-Green-Weighting-Factor.pdf

[8] High-impact sectors, as well as the decarbonizing power of companies' products and activities (reduced and/or avoided emissions for their clients). Thus, the calculations and projections carried out as part of Groupe BPCE's NZBA commitment will be based on the data used in producing the GWF

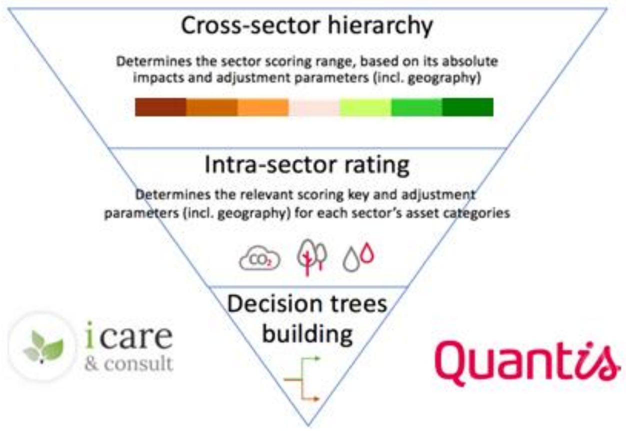
- Climate change mitigation centric, adjusted by exposure to the most material environmental externalities: biodiversity, water, pollution, waste
- Integration of both the absolute climate performance (footprint) of a sector and the relative performance of a given client or project within its sector: Cross-sector hierarchy and colors caps and floors consistency
- Using a life-cycle analysis approach along with established market practices: the entire value chain must be taken into account to reflect each sector's climate and environmental impact. The assessment, therefore, covers Scope 1 to Scope 3 (upstream and downstream) greenhouse gas emissions for all high-impact sectors, as well as the decarbonizing power (transition enabling) of companies' products and activities (reduced and/or avoided emissions for their clients) or of assets.
- Ensure ongoing coherence with existing industry standards and taxonomies, best available technologies, data providers, by planning regular updates of sectorial criteria and thresholds

- **General purpose (non-dedicated) financing** (when the purpose of the transaction is not specific, entity level financing for general corporate purpose) for which a dynamic analysis is carried out of each client according to its emissions (induced, reduced and avoided), decarbonization strategy, future trajectory and exposure to negative environmental non-climate externalities. These assessments are carried out by Carbone 4 Finance on the basis of public and non-public data;



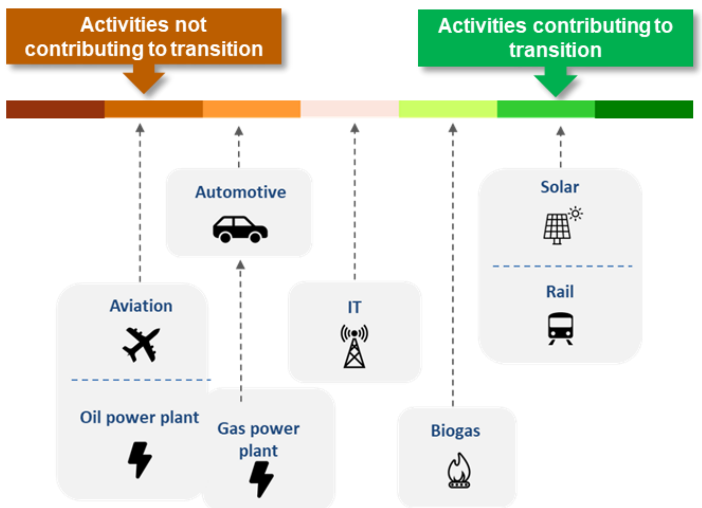
The assessment of all significant-stake sector companies is based on a 'bottom up' approach and a full value chain assessment. It takes into account induced emissions on scope 1, 2 and 3 as well as emissions-savings (reduced + avoided emissions) and a forward-looking analysis of the company strategy and targets concerning climate risks mitigation. The climate assessment is then adjusted depending on a set of material environmental issues (water, pollution, waste, biodiversity) consistent with the approach followed on Dedicated Purpose financing.
To account for each activity's climate stakes (share in GHG emissions, ability to decarbonize the world emissions…) and ensure an absolute element to the methodology, sector ratings are capped (meaning that they have a maximum score) and/ or floored (meaning that they have a minimum score).

- **Dedicated purpose financing** (projects, assets, products or commodities): assessment of each loan depending on the environmental impact of the object being financed. The assessment is determined by a "decision tree" specific to each sector/technology, developed in collaboration with two highly specialized consulting firms, Icare by BearingPoint and Quantis.



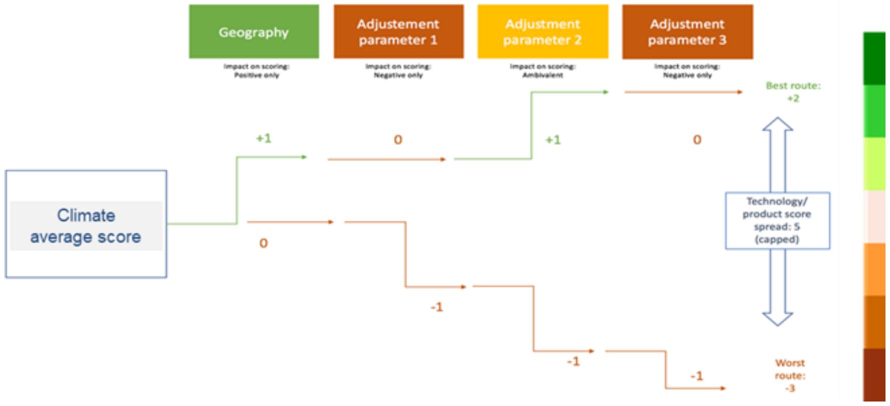
In order to develop sectorial decision trees for **dedicated financings**, 3 main steps are considered:

- **Step 1** - determine the average climate score of each sector using its carbon intensity and/or absolute impact (starting point of the sectorial decision tree)



- **Step 2** - determine each sector's possible range of ratings (to take into account absolute impact of each sector)

- **Step 3** - build a sectorial decision tree to define the environmental impact of the specific object being financed through specific closed question



2. The GWF, a steering tool at the heart of Natixis CIB

The GWF has gradually become the operational steering tool for the decarbonization of the Corporate & Investment Banking financing portfolio.

As part of the implementation of global and decentralized steering governance, it is at the heart of the implementation of the various levers and tools of its transition plan: from fueling the strategic dialogue with our clients, to credit decision-making at the transactional level, strategic and commercial planning, capital allocation, active management of our portfolio, management of our risk appetite to frameworks for assessing the individual performance of the financing origination teams.

Since its operational launch in 2019, the GWF has been at the origin of a cultural transformation within Natixis CIB, making the steering of the climate trajectory of our financing a challenge for all.

3. GWF serving carbon neutrality

In line with its commitment to align the trajectory of its portfolios with the objective of carbon neutrality by 2050, Groupe BPCE joined the Net Zero Banking Alliance (NZBA) initiative in 2021. This approach involves the setting of decarbonization targets for nine sectors framed by methodologies recommended by the NZBA in order to ensure a minimum of comparability between players.

The Green Weighting Factor, and in particular the climate performance component, has largely contributed to the definition of decarbonization targets for the electricity production and upstream oil and gas activities. The GWF contains the data needed to calculate or estimate the carbon footprint indicators recommended by the NZBA. The operational steering framework for Natixis CIB's climate trajectory is based on **two complementary and interdependent frameworks**: the **Green Weighting Factor** internally, and, externally, the **monitoring of public sector decarbonization trajectories under the NZBA**. These two flagship frameworks are supplemented by operational monitoring of certain key transition drivers for Natixis CIB.

As a pioneer in green and sustainable finance, Natixis CIB helps its clients to reduce the environmental impact of their activities, in particular through its expertise in the Green & Sustainable Hub (see below dedicated paragraph). and Natixis aims to multiply them by 1.7 its green revenues including sustainable finance activity, renewable franchise and GWF dark & medium green transactions between 2020 and 2024.

4. Change in Natixis CIB's color mix

Change in Natixis CIB's color mix between 2020 and 2023 (base 100)

The change in the color mix over 2020-2022 above shows the **significant increase in the "green" portion** of the portfolio to the detriment of the "brown" portion.

This change in 2020/2022 was fueled, in particular, by the deployment of a proactive strategy for financing activities in the oil and gas sectors with: the almost complete phase-out of shale oil and gas in the United States, the gradual rebalancing of our hydrocarbon mix towards more gas and less oil, the gradual reduction of our exposure to national or major oil companies that are least committed to a transition process. On the green side, the period saw a significant increase in our outstandings on renewable energies and transition metals.

Our objectives in respect of NZBA targets particularly in oil and gas, as well as the close monitoring of technological developments at scale and in particular the development of green hydrogen, are all factors favoring the continued pursuit of our objectives.

The momentum initiated between 2020 and 2022 allows us to reaffirm our long-term ambition of Net Zero alignment by 2050, as evidenced, in particular, by the deployment of our interim NZBA commitments by 2030[9] enlarged in December 2023[10] to other sectors and therefore widened in July 2024[11]

The GWF internal management tool was also recognized several times, by being referenced in key reports in 2022 such as:

- The Perrier report[12], commissioned by the French Ministry of Finance, which cites the "Green Weighting Factor". The report lists several market initiatives on transition and the climate and two of its recommendations make explicit reference to the GWF.
- The Green Weighting Factor, which is identified as a relevant tool for measuring the consistency of climate investments in the latest IPCC report[13].

3.3 Overview of Natixis Green & Sustainable Hub

Natixis CIB is a pioneer in green and sustainable finance and aims to extend the scope of sustainable finance to all financing instruments. The bank strengthens its differentiating expertise to increase support for its corporate clients with respect to corporate social responsibility, natural resources, and biodiversity dimensions.

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[9] https://newsroom-en.groupebpce.fr/news/groupe-bpce-sets-its-2030-targets-for-financed-carbon-emissions-in-the-energy-sectors-6718-53927.html

[10] https://newsroom.groupebpce.fr/actualites/le-groupe-bpce-elargit-son-ambition-de-reduction-demissions-carbone-en-publiant-de-nouvelles-cibles-sectorielles-46cc-7b707.html

[11] Groupe BPCE amplify its decarbonization ambition by publishing new commitments to cover the eleven most carbon-emitting sectors globally

[12] Page 95 https://www.vie-public.fr/rapport/284351-rapport-perrier-place-financiere-de-paris-pour-la-transition-climatique

[13] Page 2 and 524 section climate finance https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_FinalDraft_FullReport.pdf

As a leader in the field of sustainable finance, Natixis CIB consistently innovates in the green space for both the firm and its clients. Natixis employs its expertise to create niche tools and standards to measure, report, and reduce the climate impact of the business.

That is why, in 2017, Natixis' continuous green ambitions led to the formation of its Green & Sustainable Hub (GSH). The GSH advises clients on financing and investment-related issues throughout their clients' environmental and social transition. With experts based in Paris, Dubai, New York, Singapore, and Hong Kong, GSH offers a comprehensive spectrum of green finance solutions.

GSH consists of a dedicated, expert and resolutely cross-asset task force, whose main mission is to develop the CIB's Green & Sustainable franchise and revenue generation globally.
- **Origination and structuring advisory** for Green & Sustainable financing products and solutions a (bonds, loans, securitization, project finance, LBO etc.) and, more generally, ESG advisory services to issuers and investors clients. Of note, in 2022/23 this activity was expanded beyond CIB clients to develop sustainable finance efforts, ESG advisory and transition strategies of Groupe BPCE networks clients (local public authorities, SMEs and medium-sized companies) with a dedicated expert team within GSH.
- **Green & Sustainable syndication**: developing a green dimension to Natixis CIB's Originate-to-Distribute (O2D) approach, thereby facilitating syndication and distribution to a specialized investor base, including a dedicated investor market intelligence.
- **Investment solution** structuring and engineering (equities, fixed income, and credit) aimed at designing innovative structured investment products and solutions.
- **A Green & Sustainable Centre of Expertise and innovation** dedicated to expert content generation (methodologies, ad hoc research publications), integrity protection (and avoidance of greenwashing risks), advocacy and influence, tailor-made advisory work.

The creation of content is a vital component of the bank's green and sustainable financing solutions, which Natixis offers to its clients, and more broadly in open access, and it safeguards the bank's green integrity while shielding it from the risks of greenwashing.

The choice of an expert "hub" structure to direct Natixis CIB's green operations is based on the convictions that these issues require **dedicated expertise, are asset-class agnostic, and that green and social integrity is crucial to the longevity, scalability and mainstreaming of sustainable finance**.

Another mission of the GSH is to design and monitor the CIB's transition strategy relying on the GWF designed to score the climate and environmental impact of each asset and established the temperature trajectory of the portfolios per sector.

Green Deposit Framework

1. Objectives and rationale

Natixis CIB is committed to support the growth of the sustainable finance market, which it sees as a critical tool to meet the commitments of the Paris Agreement on global climate action. In this Natixis CIB Green Deposit Framework (the "Framework"), we describe how we design environmentally impactful and transparent deposit instruments for our clients to support the financing of green or transition-enabling assets or projects as well as companies that show robust past, present and forward-looking climate & environmental performance and have set material and ambitious sustainability goals. Thus underpinning Natixis ambition to align its investment offer with its sustainability commitments.

The purpose of this Framework, which may be updated from time to time, is to provide with the methodology to earmark deposits from clients to use of proceed-based and corporate-based financings that generate positive environmental benefits.

Generally, the Framework has been built on the successful development of the "use-of-proceeds" market, such as green bonds and green loans. This Framework is inspired by the Green Bond Principles ("GBP")[14] as administered by the ICMA and the Green Loan Principles ("GLP")[15] as administered jointly by the Loan Syndications and Trading Association, the Loan Market Association, and the Asia Pacific Loan Market Association (together "the Principles"), which are voluntary process guidelines developed in multi-stakeholder processes involving issuers, lenders, borrowers, investors, financial institutions, and NGOs, with a view to promoting the development of and integrity of sustainable financing instruments, although not claiming direct alignment with those Principles. The Framework as such consists of the following components:

- Use of Proceeds
- Process for asset evaluation and selection
- Management of Proceeds
- Reporting
- External review

2. Use of proceeds

An amount corresponding to the net proceeds from any Green Deposit will be earmarked to Natixis' green eligible asset pool (the "Eligible Asset Pool"). The Eligible Asset Pool is composed of both drawn loans on our balance sheet and targeted investments.

Criteria for inclusion in the Eligible Asset Pool

In order to be eligible for inclusion in the Eligible Asset Pool, an asset must:

I. be a loan meeting the Eligibility Criteria and fall into at least one of the sectors (the "Eligible Industries") described in the below table subject to any "Excluded Sectors" (the "[Green Weighting Factor Loan]"). Only the portion of drawn loans will be eligible for inclusion in the Eligible Asset Pool, or

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[14] Green Bond Principles » ICMA (icmagroup.org)
[15] https://www.lsta.org/content/green-loan-principles/#

II. be a green bond investment made by Natixis CIB detailed in the below table (Eligible Industries, Eligibility Criteria and Exclusion Criteria) in the frame of its regulatory liquidity management (LCR mission[16]) in High Quality Liquid Assets (HQLA)[17] (the "Green Bond Investment").

Eligible Asset Categories	Eligible Industries	Eligibility Criteria	EU Taxonomy environmental objectives	Exclusion Criteria
Green Weighting Factor Loans	Loans provided to all industries excluding public sector (Sovereigns, Agencies, Local authorities) and Financial Institutions, and subject to Excluded Sectors	Loans with medium green and dark green GWF color rating	Climate change mitigation	Excluded Sectors as described below
Green Bond investments[18]	Investments in Green Bonds under the liquidity buffer (LCR) investment mandate	• Green bonds with a Second-Party Opinion (SPO) confirming alignment with Green Bond Principles as published by the International Capital Market Association (ICMA)[19].	All environmental objectives, depending on the objective(s) targeted by specific green bonds	ESG risk management includes the application of Natixis' Sector Policy and negative screening criteria based on ESG rating.

❖ **Excluded Sectors**

Natixis' ESR policies have been drawn up and included in the risk policies applied by the business lines working with the most sensitive sectors. Natixis has chosen to exclude from its financing activities the following sectors:

- **Themal coal**: since 2015, Natixis CIB has made a commitment to not to support companies developing new coal-fired power plants, thermal coal mines, any port and rail infrastructure projects and any equipment or facilities related to thermal coal. In addition, Natixis CIB prohibits any general purpose financing of companies whose revenues are relying by 25% or more on coal-fired power generation and thermal coal mining. Natixis is committed to gradually reducing its exposure to thermal coal to zero by 2030 for its activities in the European Union and OECD countries and for its activities in the rest of the

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[16] https://www.eba.europa.eu/regulation-and-policy/liquidity-risk
[17] Please refer to pages 211 and onwards in https://natixis.groupebpce.com/wp-content/uploads/2024/03/NATIXIS_URD2023_EN_2024_03_15.pdf f
[18] Please refer to pages 35 and onwards in https://groupebpce.com/content/download/37594/file/240326-TCFD%20-Version%20FR.pdf
[19] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf

world by 2040. This schedule is aligned with the International Energy Agency (IEA) sustainable development Scenario. . For details of our Policy, please see:

https://natixis.groupebpce.com/wp-content/uploads/2022/08/201027_final_-amended_coal_policy.pdf

- **Tobacco sector**: Natixis has undertaken to cease all financing and investment in tobacco producers, wholesalers and traders, as well as manufacturers of tobacco products. Specifically, Natixis CIB prohibits any general purpose financing of companies whose revenues are relying by 25% or more on these Tobacco-related activities. In 2018, Natixis published a detailed sectoral policy in relation to tobacco that applies to the financing, investment and services activities of Natixis: **https://natixis.groupebpce.com/wp-content/uploads/2022/08/180518_-_cl_tobacco_policy_-final_eng.pdf**

3. Process for asset evaluation and selection

Evaluation of environmental & social risks

All potential Eligible Assets go through Natixis CIB standard credit and investment processes, which have been designed to ensure compliance with applicable national rules and regulations, credit risk analysis, Know Your Customer processes and prevention of money laundering, anti-bribery and prevention of corruption policy and sanctions policy. Only assets approved in the regular credit and investment processes can be eligible under this Framework. The qualification for Eligibility Criteria does not override credit and investment risks.

Beyond compliance to national and banking regulations, Natixis CIB is committed to several principles and standards that form the foundation of its activities, such as the United Nations Sustainable Development Goals (SDGs), the ten principles of the United Nations Global Compact, and the standards defined by the International Labor Organization (ILO). In line with French law no. 2017-399 of March 27, 2017 on the duty of vigilance, and in compliance with the UN's Guiding Principles on Business and Human Rights, Groupe BPCE has established a Due Diligence Plan covering its financing activities and works to identify and, where possible, mitigate and prevent potential violations of human rights connected with its activities. Natixis is also a signatory of the United Nations Principles for Responsible Banking (UN PRB).

The consideration of ESG risks is part of a global approach involving the business lines, CSR and Control functions. ESG criteria have been incorporated into the Group's risk policies to take into account the impact of the activities it finances.

The financing process is supplemented by an analysis of the ESG impacts for each corporate client

When a new customer enters into a relationship, a process for identifying environmental and societal risks is put in place as part of the *Know Your Client* (KYC) approach, which identifies and assesses environmental, social and governance (ESG) risks. Each client company evaluated is assigned a level of vigilance based on four themes (controversies to which the client may be exposed, sectors in which the client operates, maturity of the risk management system and type of business relationship with Natixis).

In line with the Equator Principles, Natixis CIB also applies a market methodology designed to assess the environmental and social risks of the projects it finances, and how these risks are managed by its clients, whatever their business sector. Since October 2020, Natixis CIB has been applying the amended version of the Principles (EP Amendment IV), which includes more exhaustive criteria for respecting human rights (including the rights of indigenous communities) and requires analysis of physical climate and transition risks.

The *Sustainability* team produces detailed analyses of Natixis CIB clients for whom ESG risk is considered a major concern. Over the last three years, 1,429 (including 614 in 2023) such transactions have been analyzed in this way.

Internal control framework

Natixis CIB has an internal control framework that incorporates all risks, including environmental and social risks. It is built around three lines of defense:

- 1st line of defense: the sales, origination, and distribution teams. They are supported by the Natixis *Sustainability* team;
- 2nd line of defense: it is embodied by the Risk and Compliance Departments of Natixis. Risk acts as a second line of defense for transactions, counterparties, portfolios, and companies in all activities;
- 3rd line of defense: Natixis CIB's Internal Audit Department is in charge of periodic control and has integrated ESG-specific risks into its scope of activity, as well as carrying out thematic controls on CIB activities.

Natixis CIB has also implemented a strict code of conduct[20] since 2018 which lists rules and best practices i.e. protecting clients' interests, business ethics and responsible behavior in our relationships with co-workers, shareholders and society more broadly speaking, as well as protecting Natixis' and Groupe BPCE's reputation and clear Anti-bribery and corruption policy and Anti-Money laundering and Sanctions Policy.

Natixis CIB has the following external ESR Policies for the Oil & Gas and Defense sector:

- **Oil & Gas industries**: since 2017, Natixis has committed to stop providing financing for the exploration and production of oil sands and oil in the Arctic region. In 2023, Groupe BPCE extended its policy to all its banking activities and strengthened its criteria by excluding:
    - projects dedicated solely to bringing a new oil field into production, or related production or export infrastructure (new FPSO – Floating Production Storage and Offloading, platform, or pipeline);
    - exploration and production of oil from ultra-deepwater drilling;
    - new "Greenfield" liquefied natural gas (LNG) production or export projects fueled by 25% or more shale gas;
- **Defense sector**: Natixis CIB prohibits financing, investment and offering of services to companies involved in designing, manufacturing, storing, trading, maintaining, retrofitting or upgrading of weapons and/or ammunitions, anti-personnel mines and cluster bombs. This policy extends the scope of weapons subject to exclusion and sets specific criteria for carrying out operations, in particular relating to export and import countries.

Furthermore, Natixis CIB has internal ESR policies for the nuclear, mining & metals, and palm oil sectors. These apply to financing operations and cover the following issues:

- **Nuclear**: compliance with the strictest international security rules (IAEA, etc.), reliability of technologies, demonstration by the host country and the operator of their capacity to control and operate their nuclear industry, based on specific criteria. Targeted operations nuclear installations for civil use involving core tier one exporters/clients of the bank and dedicated to:
    - the production of electricity (nuclear power plants),
    - the nuclear fuel cycle (conversion, enrichment, storage and reprocessing), except for mining.
- **Mining and metals**: compliance with international mining industry standards as well as the IFC (World Bank) environmental & social performance criteria;
- **Palm oil**: traceability and compliance with best practices and applicable standards.

[20] https://natixis.groupebpce.com/natixis/en/natixis-code-of-conduct-rep_98940.html

Additional information regarding climate risks (including governance and structure, integration of climate and environmental risks, integration of ESG issues into risk monitoring and detailed quantitative disclosures) are also available as part of Groupe BPCE's Pillar III[21] Risk Report and TCFD Report[22].

It is further specified that, the Green Bond Investments made by Natixis CIB follow an investment strategy integrating a climate-impact measure (liquidity reserve "temperature" measure). The retained alignment method is consistent with the Green Weighting Factor tool deployed by Corporate & Investment Banking (see dedicated sections in this Framework).

Governance and process

Natixis CIB has formed a Green Deposit Committee (the "Green Deposit Committee") consisting of representatives from the Green & Sustainable Hub, Finance & Treasury , Global Trade, Distribution & Portfolio Management, and Global Liquidity Buffer Portfolio departments and any other required functions with responsibility for governing the Eligible Asset Pool. Additional members may be invited from various entities of Natixis CIB.

The Committee is responsible for the monitoring of the Eligible Asset Pool. The Green Deposit Committee is expected to meet [quarterly/half-yearly]. The responsibilities of the Green Deposit Committee are the following:

- Definition of the strategy and policy of the Green Deposit Framework
- Monitoring potential updates of the Framework in line with evolutions of market practice and regulatory developments
- Supervision of the governance and process for Eligible Asset selection
- Monitoring of the Eligible Asset Pool and of the relevant allocation and impact reports
- Monitoring of external reviews (Second Party Opinion and Verification)

4. Management of Proceeds

Green Deposit net proceeds are managed within the central treasury function of Natixis CIB. An amount equal to the net proceeds of the Green Deposit is earmarked to the Eligible Asset Pool in accordance with this Framework. Natixis CIB follows a portfolio approach in tracking an amount equal to the net proceeds of any Green Deposit towards the Eligible Asset Pool.

It is worth noting that any Eligible Asset already earmarked in the frame of any other existing sustainable finance frameworks within Natixis CIB and/or Groupe BPCE, won't be considered as an Eligible Asset to be part of the Eligible Asset Pool in order to avoid any double counting.

To identify the Eligible Assets that are in line with the "Use of proceeds" section of this Framework, the Green Deposit Committee will monitor the Eligible Asset Pool. Potential ESG controversies are monitored by relevant internal teams, reported to operational teams, if any, and evaluated by the Green Deposit Committee as necessary. Eligible Assets bearing material and severe ESG controversies based on reliable sources arising on a given Eligible Asset already earmarked to a Green Deposit will be replaced by other Eligible Asset(s) as soon as practically feasible, on a best effort basis *(obligation de moyen)* and will remain ineligible for as long as the identified controversy remains unresolved.

[21] https://groupebpce.com/en/investors/results-and-publications/pillar-iii
[22] https://groupebpce.com/en/the-group/publications

Natixis CIB strives, at any point in time, to maintain a larger total amount of Eligible Assets than the total net proceeds of all Green Deposit in the Eligible Asset Pool. To maintain a buffer of Eligible Assets in the Eligible Asset Pool over net proceeds of Green Deposit, Natixis CIB will seek to substituting maturing or prepaid loans, bonds or other financings with an appropriate alternative as timely and practically possible. It is further specified that Green Bond Investments may no longer be available as part as the Eligible Asset Pool in an event of stress that would have led to a liquidation of the Green Bond Investments. The Eligible Asset Pool will be routinely monitored by the Green Deposit Committee to ensure the total Eligible Asset Pool is larger than the total net proceeds of all Green Deposits. Should a shortfall occur, Green Deposit Committee will direct at its own discretion, the shortfall amount towards its liquidity portfolio, consisting of cash and/or cash equivalents, and/or other liquid marketable instruments pending allocation to the Eligible Asset Pool.

5. Reporting

As long as there is any Green Deposit outstanding, Natixis CIB is committed to publishing relevant information and documents regarding its Green Deposits in a dedicated Green Deposit Report (the "Report"), which will be made available to clients on an annual basis.

The Report will include an allocation and impact reporting that will contain details including, but not limited to:

- Confirmation that the Green Deposits are earmarked to the Eligible Asset Pool according to the eligibility criteria set out in the Framework,
- Amount of net Green Deposit proceeds earmarked to the Eligible Asset Pool,
- Split between the Eligible Industries and Eligible GWF Color Rating for Green Weighting Factor Loans and for the GBI on the % of the Eligible Assets invested into green bond with SPO.

6. External Review

Second Party Opinion

ISS Corporate was commissioned as Second Party Opinion Provider to evaluate Natixis CIB's Green Deposit Framework, its transparency and governance as well as its structure inspired from ICMA and LMA guidance.

The External Review will be made publicly available on Natixis CIB's website[23].

Any material changes to Natixis CIB's Green Deposit Framework will be subject to review by the Second Party Opinion Provider.

Verification

Natixis CIB will request an external auditor or any other independent qualified provider to produce, on an annual basis, a limited assurance report on the Report detailed in section 5. Reporting.

The limited assurance reports will be made available to the clients investing into such green deposit under this Framework.

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[23] https://cib.natixis.com/home/

To be read

The process of earmarking the net proceeds of the Green Deposits to the Eligible Asset Pool as described in this Natixis CIB Green Deposit Framework (and in particular in sections 2 to 4) means that, following a portfolio approach, Natixis CIB will aggregate the total amount of all Green Deposits, compare it analytically with the total amount of the Eligible Asset Pool, and seek to ensure that, at all times, the amount of the Eligible Asset Pool is at least equal to the aggregate Green Deposit amounts.

Attention is therefore drawn to the fact that the net proceeds of a given Green Deposit are not allocated to the funding of a given Eligible Asset within the Eligible Asset Pool. In other words, from a cash flow perspective, the Eligible Asset Pool is not necessarily funded or financed by means of the Green Deposits and no fund tracing or tracking is made in relation to any Eligible Asset accordingly.

Further, no warranty is given that the Green Deposit amounts will at any point in time be equated with the Eligible Asset Pool. However, Natixis CIB will use its best endeavours (*obligation de moyen*) to maintain, at any point in time, a larger total amount of Eligible Assets than the total net proceeds of all Green Deposit in the Eligible Asset Pool. To maintain a buffer of Eligible Assets in the Eligible Asset Pool over net proceeds of Green Deposit, Natixis CIB will seek to substituting maturing or prepaid loans, bonds or other financings with an appropriate alternative as timely and practically possible. It is further specified that Green Bond Investments may no longer be available as part as the Eligible Asset Pool in an event of stress that would have led to a liquidation of the Green Bond Investments. Should a shortfall occur, Natixis CIB will direct at its own discretion, the shortfall amount towards its liquidity portfolio, consisting of cash and/or cash equivalents, and/or other liquid marketable instruments pending allocation to the Eligible Asset Pool.

PARIS 2024

NATIXIS CORPORATE AND INVESTMENT BANKING

PREMIUM PARTNER

PARIS 2024

Natixis Corporate & Investment Banking is part of
Global Financial Services, the global arm of Groupe BPCE

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