



SECOND PARTY OPINION¹ ON THE SUSTAINABILITY OF THE FRENCH REPUBLIC'S GREEN OAT²

Issued in January 2017

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green OAT (the “bond”) considered by the French Republic represented by the Agence France Trésor (the “Issuer”) according to Vigeo Eiris’ Environmental, Social and Governance (ESG) assessment methodology and in line with the Green Bond Principles guidelines. The opinion is based on the review of the two following components:

- Issuer: document-based evaluation on the level of integration of sustainable development principles and objectives in the Issuer’s institutional systems and public policies, and analysis of its capacity to mitigate sustainability risks based on the review of stakeholders’ feedback.
- Issuance: analysis of the coherence between the bond framework and the Issuer’s strategy and commitments, and document-based evaluation of the France’s Green OAT framework, including:
 - ▶ analysis of the process for categorisation and selection of expenditures eligible to the use of proceeds, and the process for evaluation of their environmental and social risks and impacts
 - ▶ assessment of reporting systems dedicated to information, monitoring and control related to fund allocation, to management and impacts of financed expenditures.

Vigeo Eiris’ sources of information are gathered from our rating database of sovereign issuers covering 181 countries and including 121 analysed indicators and sets of indicators, and from, for specific needs of this evaluation, the Issuer, press content providers and stakeholders. Vigeo Eiris has carried out its due diligences from the 1st to the 21st of December 2016, complemented by meetings with involved French Ministries held at the Ministry of the Economy and Finance in Paris (France).

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

VIGEO EIRIS’ OPINION

Vigeo Eiris confirms that the bond intended by the French Republic represented by the Agence France Trésor is a “Green OAT” with positive footprint, aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable³ level of assurance on the sustainability of the OAT:

- France overall sustainability performance is advanced³, with an advanced performance on the Environmental responsibility domain (see Part I).
- France’s Green OAT framework is coherent with France’s main Environmental Policies and is considered to be robust (see Part II):
 - ▶ The net proceeds of the issuance will be used to finance and refinance Green Eligible Expenditures, which will contribute to climate change mitigation and adaptation, protection of natural resources and reduction of ecosystem degradation, in line with seven UN Sustainable Development Goals.
 - ▶ The processes for categorisation, selection and evaluation of Green Eligible Expenditures are clearly defined and robust, and would enable documented and transparent governance of the bond.
 - ▶ The issuer’s reporting commitments and process are robust, covering the fund allocation and environmental benefits of selected expenditures (outputs and impacts), reaching an overall reasonable level of assurance on its capacity to report on the Green OAT’s use and impacts.

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

² OAT means “Obligation Assimilable du Trésor”, a bond issued by the French State. The “Green OAT” is to be considered as the potential forthcoming bond, which issuance is subject to market conditions.

³ Definition of Vigeo Eiris’ scales of assessment (as detailed on the last page of this document):

Level of Performance: Advanced, Robust, Limited, Weak.
Level of Assurance: Reasonable, Moderate, Weak.

Part I. ISSUER

Level of the Issuer's sustainability performance

France overall level of integration of sustainable development objectives in its institutional systems and public policies is considered to be advanced (81/100) under Vigeo Eiris world index of sovereign issuers, and has remained rather stable during the last five years. France ranks 12th out of 181 countries worldwide and 9th out of the 28 European Union member states. Noteworthy, France is among the top leaders for the majority of indicators under review.

France's approach towards its management of environmental, institutional and social responsibilities is considered advanced on all domains under our framework review. France has ratified all international relevant environmental conventions, all fundamental International Labour Organization conventions, all core international conventions relating to human rights, apart from the one on the rights of migrant workers and their families (entry into force in July 2003), like other European Union members, and all international texts concerning countries' safety policies.

France attains an advanced performance in the Environmental responsibility domain, with strengths related to its management of air emissions and biodiversity, with top leading scores on local and regional air quality as well as protection of bird species, terrestrial and marine areas, whereas room for improvement lies in land use and environmental pressures, even though efforts are underway to achieve improvements.

France obtains an advanced score in the Social responsibility and solidarity domain, with strengths related to gender equality, safety, education and health with top leaders scores attained. Performance relative to social protection is uneven, with an advanced score on poverty but a moderate score on employment still affected by the effects of the 2008-2009 crisis.

France demonstrates an advanced score in the Institutional responsibility domain, achieving top leading performances on all insitutional indicators under review regarding the respect, protection and promotion of labour rights. The Democratic Institutions score is advanced, including political freedom and stability, independence of justice, press freedom and prevention and control of corruption. France regularly affirms its commitments to democracy and human rights and plays an active role of support and animation within the United Nations agencies and organizations, for advocacy actions from associations defending human rights and fighting against corruption.

Stakeholders' feedback

As of December 2016, France faces occasional allegations mostly relative to institutional responsibility, as observed in many democratic states, allowing individuals to lodge an application to the European Court of Human Rights (ECHR). France faces isolated allegations in the Environmental responsibility domain, with two ongoing judgments at the European Union Court of Justice. The severity is mainly considered as minor, with few significant cases. France is overall remediative: it reports transparently on all cases to cooperate with interested parties or to take corrective actions.

Stakeholders express overall positive feedback regarding France's sustainability performance, especially with respect to France's commitments on climate and energy transition, and on the issuance of a Green Bond by a sovereign issuer. In 2015, France hosted and chaired the COP21, and was among the first industrialised countries to ratify the Paris Agreement in June 2016. This first global agreement between 195 nations on climate is considered as an historic agreement to combat climate change and unleash actions and investments towards a low carbon and resilient future, by the international community, the UN Secretary General Ban Ki-moon and the UN Framework Convention on Climate Change (UNFCCC).

France showed increased emphasis and visibility on environmental protection in its public policies and in civil society as part of an open and structured dialogue regarding international practices, through flagship initiatives such as the discussions and laws so-called "Grenelle" (July 2009 and June 2010), the National Sustainable Development Strategy for 2015-2020 and the the Energy Transition for Green Growth Act (August 2015).

Part II. ISSUANCE

Coherence of the issuance

France's Green OAT issuance is likely to play a key tool to favour investments and expenditures aiming at contributing to climate change mitigation and adaptation and to environmental protection. The six Green Sectors targeted by the proceeds of the Green OAT would positively impact France's environmental performance, particularly on its areas of improvement in water management, energy and water efficiency, land use and protection.

France's Green OAT framework is coherent with France's main Environmental Policies, with the State's roles, budget strategy and treasury needs, and appears to contribute to achieve France's commitments and objectives. As a result, we have a reasonable assurance on France's willingness and capacity to align the objectives and the management of this Green OAT with relevant issues in terms of Environmental responsibility.

Use of proceeds

In line with France's Environmental Policies, France will finance and refinance Green Eligible Expenditures, included in six Green Sectors, based on the French "Energy and Ecological Transition for Climate" (TEEC) label⁴, including:

- Buildings
- Transport
- Energy
- Living resources and biodiversity
- Adaptation
- Pollution control and Eco-efficiency

Each Green Eligible Expenditure contributes to one (or several) France's Green Objective(s) and meets one (or several) Green Sector(s) and a set of additional eligibility criteria evaluated by Vigeo Eiris.

Green Eligible Expenditures include Recent, Current and/or Future expenditures corresponding to existing, on-going and/or future investments mainly located in France (few European projects), a wide range of real and intangible assets and covering several beneficiaries, in line with the State's roles, budget strategy and treasury needs.

Vigeo Eiris considers that Green Eligible Expenditures' contribution to sustainable development is positive due to the expected environmental benefits on climate change mitigation and adaptation, protection of natural resources and reduction of ecosystem degradations, with relevant, measurable, precise and visible associated objectives.

In addition, Vigeo Eiris considers that the Green Sectors align with the following UN Sustainable Development Goals:

7. Affordable and clean energy, 9. Industry, Innovation, & Infrastructure, 11. Sustainable Cities & Communities, 12. Sustainable Consumption & Production, 13. Climate Action, 14. Life Below Water and 15. Life On Land.



Process for expenditure evaluation and selection

The process for evaluation and selection of Green Eligible Expenditures to be financed is formalised and publicly available, and relies on relevant criteria including:

- Expenditures relative to France's Environmental Policies dedicated to different beneficiaries (public agencies, local authorities, corporations and households) are eligible
- Use of proceeds criteria, based on the definition of eligible Green Sectors and types of assets and expenditures, have been defined in line with France's Green objectives⁵ and with the TEEC label as a reference
- Additional eligibility criteria have been defined to exclude the main relevant controversial activities, i.e. all nuclear activities, all armament activities, any expenditures mainly related to fossil fuel, exclude expenditures financed by an allocated resource and from public agencies that could potentially issue Green Bonds and partially integrate ESG factors in expenditures management.

⁴ France created in 2015 an official label for mutual funds "Transition Energétique et Ecologique pour le Climat" (TEEC) aiming at promoting the environmental transition. TEEC Label was inspired mainly by Green Bond Principles and the Climate Bond Initiative taxonomy. Eligibility criteria of TEEC label are regularly revised by the TEEC label committee whose composition is fixed by ministerial order.
<http://www.developpement-durable.gouv.fr/Le-label-transition-energetique-et.html>

⁵ The four Green Objectives targeted by France are: climate change mitigation, climate change adaptation, biodiversity protection and pollution reduction.

France's evaluation and selection process is clearly defined and reasonably structured, based on relevant internal expertise:

- The selection of Eligible Green Expenditures is managed by a dedicated Interministerial Working Group, coordinated by the Ministry of Finance and the Ministry of Environment
- Each ministry holds the responsibility for identifying and reporting on Eligible Green Expenditures within its perimeter. Each ministry relies on its internal services and agencies
- The list of Eligible Green Expenditures has been validated by the Interministerial Working Group.

Vigeo Eiris considers that the evaluation and selection process of the eligible expenditures is clearly defined, in line with the French policies. France's Green OAT framework is considered to be robust in terms of transparency and relevance of eligibility criteria and in terms of governance and monitoring of the allocation and control process. We consider that the process is in line with the Green Bond Principles guidelines.

Beyond the Green Bond Principles guidelines, in line with international standards, we have recommended to reinforce the integration of ESG factors management and to strengthen internal control systems regarding the ESG monitoring of projects related to selected expenditures (post-allocation).

We confirm our reasonable level of assurance on the contribution to France's Green Objectives and on the coherence of the implementation of the evaluation and selection process, as defined below, based on the established list of potential expenditures completed by operational illustrations.

Management of proceeds

The rules for management of proceeds are clearly defined and would enable a documented transparent allocation process.

- The net proceeds of the OAT will be managed within the Issuer's treasury liquidity portfolio, in cash or other liquidity instruments, that do not include Greenhouse Gas (GHG) intensive activities or any controversial activity⁶
- The proceeds will be used to (re)finance expenditures from the previous year, the current year and potentially future years corresponding to existing, on-going and/or future investments
- The overall share of refinancing will not exceed 50%
- The Ministry of Finance will track the investments of the proceeds allocated to Green Eligible Expenditures, with internal and external control through the general managerial framework completed by the review of an external auditor. This tracking of funds is integrated into the annual financial reporting and in its closing process.

Reporting

France commits to transparently report on the Green OAT, including on:

- Use of Proceeds: nature and type of expenditures financed by the proceeds, with related description of main emblematic investments, annually and up to the complete allocation of bond proceeds.
- Environmental benefits:
 - Outputs: evaluation of major outputs, mostly based on existing indicators for the performance assessment of public expenditures, disclosed at sector level, annually and up to the complete allocation of bond proceeds.
 - Impacts: estimates of ex-post impacts based on specific assessments commissioned under the auspices of the Green Bond Evaluation Council, disclosed at sector level, on an adapted frequency basis depending on the sector and until the maturity date of the bond.

Output indicators for each Eligible Green Expenditure are already available in budgetary documents⁷, where accounting methodologies, sources of data, calculation method and assumptions are clearly defined, using relevant standards and expertise.

France creates a dedicated Green Bond Evaluation Council (the "Council"), in charge of defining impact reporting methodologies, guidelines and frequency for impact reporting, quality assessment of the evaluation reports and evaluation of the implementation and results of the reporting (opinion).

The monitoring and data collection conditions and process are defined, and selected reporting indicators are relevant for the use of proceeds and expenditures outputs. The composition and role of the dedicated Green

⁶ Vigeo Eiris controversial activities: Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, GMOs in food & feed, Nuclear energy, Sex industry, Tobacco

⁷ <http://www.performance-publique.budget.gouv.fr>

Bond Evaluation Council are clear and relevant in terms of future transparent and appropriate impact reporting framework.

The reporting commitments of France comply with the Green Bond Principles guidelines. We have recommended to reinforce monitoring and reporting on ESG indicators.

Vigeo Eiris considers that France's overall reporting commitments are robust, providing a reasonable level of assurance on the capacity of France to report regularly and transparently on fund allocation, outputs and impacts of financed Green Expenditures on the maturity of the Green OAT.

EXTERNAL REVIEW

The Green OAT issuance of France is supported by external independent reviews provided by:

- The sustainability consultant review, i.e. the hereby Second Party Opinion performed by Vigeo Eiris, on the sustainability credentials of the Green OAT, based on pre-issuance commitments and covering all bond dimensions, i.e. Issuer sustainability profile and commitments related to the issuance (use of proceeds, evaluation, selection and allocation processes and reporting).
- An annual verification provided by a Third Party auditor, covering the tracking bond proceeds and fund allocation, up to the complete allocation of bond proceeds.
- The dedicated Green Bond Evaluation Council (the "Council") in charge of the quality assessment of the evaluation reports and evaluation of the implementation and results of the reporting, with opinion delivery (see detailed reporting section page13).

Paris, December 27th, 2016



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has never executed any consultancy activity for the French Republic until so far and no established relationship (financial or other) exists between Vigeo Eiris and the French Republic.

This opinion aims to explain investors why the Green OAT is considered sustainable and responsible, based on the information made available and analysed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects refinanced or 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 on stakeholder-related social responsibility controversies is not a conclusion on the creditworthiness of the French Republic or its financial obligations.

DETAILED RESULTS

Part I. ISSUER

Level of the Issuer's sustainability performance

France overall level of integration of sustainable development objectives in its institutional systems and public policies is considered to be advanced (81/100) under Vigeo Eiris world index of sovereign issuers.

Domain	Comments	Opinion assessment level
Environmental responsibility	<p>France attains an advanced performance in the Environmental responsibility domain (66/100), ranking 30th out of 181. France has ratified all international relevant environmental conventions, such as the Kyoto convention, the United Nations Framework Convention on Climate Change, and the Convention on Biological Diversity.</p> <p>France's environmental strengths relate to its management of air emissions and biodiversity. In particular, France is among the leaders worldwide regarding ozone layer protection and local and regional air quality. Likewise, the protection of terrestrial and marine areas and the conservation of bird species is a clear strength. Reversely, room for improvement lies in land use and environmental pressures, even though there are efforts underway to achieve improvements, notably in natural forest protection and energy consumption.</p>	Advanced
		Robust
		Limited
		Weak
Social responsibility and solidarity	<p>France obtains an advanced score in the Social responsibility and solidarity domain (83/100), ranking 12th out of 181. France ratified all the international texts concerning countries' safety policies, such as the Treaty on the Non-Proliferation of Nuclear Weapons and the Ottawa Convention.</p> <p>The social strengths of France relate to gender equality, safety, education and health with top leading scores attained, namely on both primary school and secondary school education indicators, as well as on mortality and tuberculosis indicators. Performance relating to social protection is uneven, with advanced score on poverty but moderate score on employment still affected by the effects of the 2008-2009 crisis, and slightly lower regarding development aid, even if still advanced.</p>	Advanced
		Robust
		Limited
		Weak
Institutional responsibility	<p>France demonstrates an advanced score in the Institutional responsibility domain (92/100), ranking 17th out of 181. France ratified all the fundamental International Labour Organization conventions as well as all the core international conventions relating to human rights, apart from the one on the rights of migrant workers and their families (of December 1990, entry into force in July 2003), like all other European Union members and other countries such as the United States of America, Canada and Japan.</p> <p>France regularly affirms its commitments to democracy and human rights and plays an active role of support and animation within the United Nations agencies and organizations, for advocacy actions from associations defending human rights and fighting against corruption. These advocacy actions are supported by independent institutions, notably the National Consultative Commission for Human Rights and Defender for Human Rights.</p> <p>France achieves top leading performances on all indicators under review regarding the respect, protection and promotion of labour rights, including minimum age, freedom of association and protection of the right to organise, and equal remuneration. The democratic institutions score is advanced, as all issues are taken into account by the country, consisting of political freedom and stability, control of corruption, independence of justice and press freedom. France is among the top leaders for the vast majority of indicators under review in the Institutional responsibility domain.</p>	Advanced
		Robust
		Limited
		Weak

Stakeholders' feedback

Domain	Comments	Frequency	Severity	Responsiveness
Environmental responsibility	France faces 2 on-going judgments at the Court of Justice of the European Union (EU) regarding its environmental responsibility on biodiversity protection (respect of Birds Directive) and on urban wastewater treatment. France has not been involved in any contentious case submitted to the International Court of Justice for environment-related issues.	Persistent	Critical	France is overall reactive. Remedial measures taken on biodiversity by France following a judgment of the European Court of Justice in December 2000 have been considered as inadequate by the European Commission and the 17 agglomerations are still listed as non complying with the EU standards on wastewater treatment.
		Frequent	High	
		Occasional	Significant	
		Isolated	Minor	
Social responsibility and solidarity	France has been subject to one condemnation in terms of Social Responsibility: in April 2015, France was condemned by the Court of Justice of the European Union on one case relative to the law on the enforceable right to housing (DALO Act)	Persistent	Critical	France is remediative. It has enforced the judgment. It should be noted that this case is the first where the Court dealt with an application against France concerning non-enforcement of a decision to grant housing.
		Frequent	High	
		Occasional	Significant	
		Isolated	Minor	
Institutional responsibility	Over the time period 2012-2015, 5110 applications involving France have been allocated to a juridical formation by the European Court of Human Rights (ECHR), as observed in many democratic states, allowing individuals to lodge an application to the ECHR. In 2015, according to the ECHR, France ranked 7 th out of the 47 contracting states when streamlined to the populations. In 2015, France has faced 17 adverse judgments finding at least one violation out of 1088 applications allocated to a juridical formation by the ECHR (0,02%), mainly relating to conditional violations, right to a fair trial and freedom of expression.	Persistent	Critical	France is overall remediative. It has enforced all the judgments.
		Frequent	High	
		Occasional	Significant	
		Isolated	Minor	

Part II. ISSUANCE

Coherence of the issuance

With an advanced performance in the Environmental responsibility domain, France's environmental strengths relate to its management of air emissions and biodiversity, thanks to top leaders' scores on local and regional air quality, on GHG emissions decreasing by 11% between 1990 and 2013 and protection of terrestrial and marine areas, contributing to its commitments under the Kyoto protocol, the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity. In addition, French diplomacy played a leading role in the preparation of the Paris Agreement (2015), aiming at limiting the increase in temperatures well below 2 degrees overall and pursuing efforts to limit the temperature increase to 1.5 degrees.

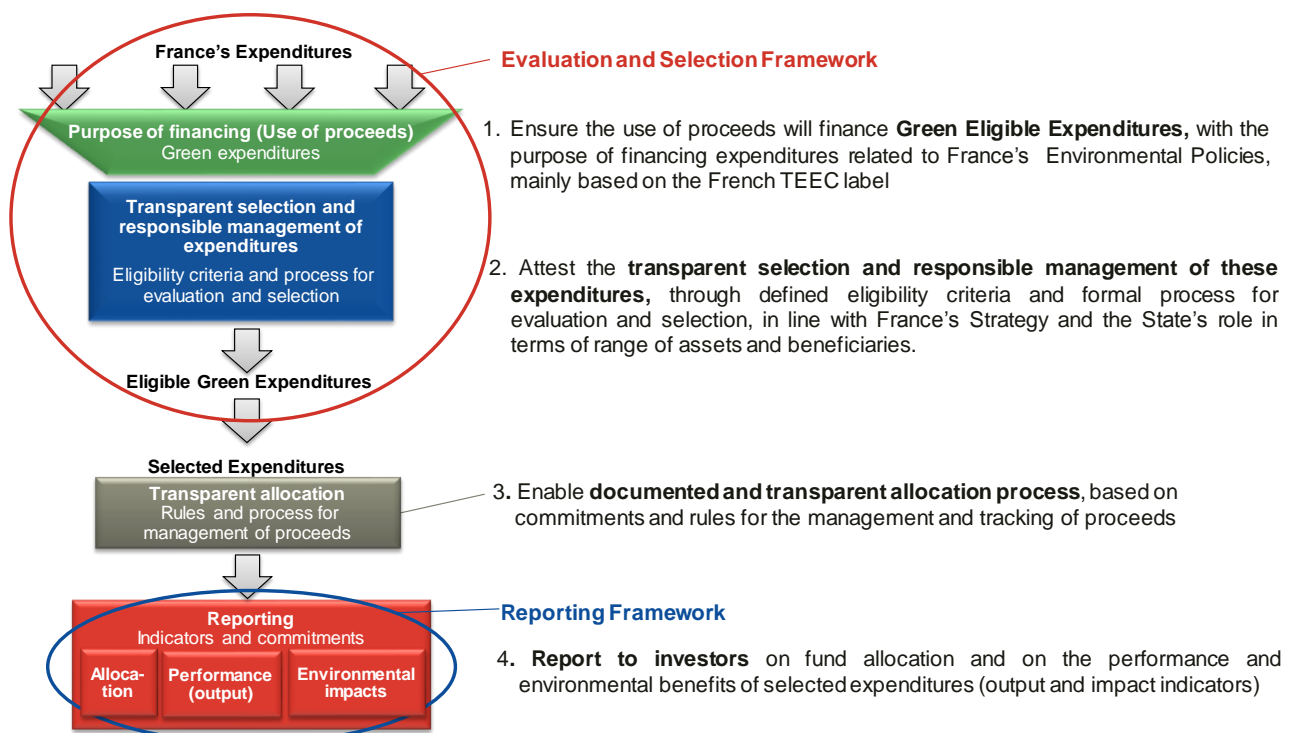
The National Low-Carbon Strategy (SNBC) 2015-2028 adopted in November 2015 in line with the Paris Agreement, introduced by the Energy Transition for Green Growth Act (August 2015), outlines the approach to be adopted in order to reduce GHG emissions. France has committed to reducing its GHG emissions by 40% between 1990 and 2030 and fourfold between 1990 and 2050, and reducing its final energy consumption by 50% in 2050, with specific targets in the transport, construction, agriculture and industrial sectors.

Released in July 2016, the French Restoration of Biodiversity, Nature and Landscape Act lays out the principles related to biodiversity, nature and landscape (e.g. polluter pays principle, ecological solidarity principle); the creation of the French Agency for Biodiversity, as a dedicated operator fighting against the loss of biodiversity and working on adaptation to climate change; the concrete measures to protect biodiversity, including the promotion of knowledge and integration of urban biodiversity in territorial climate-energy plans by local authorities; the protection of endangered species and sensitive areas, and the quality of the environment, including protection of marine biodiversity and the fight against harmful pesticides to pollinators, nature and human health.

France's Green OAT issuance plays a key role to channel investments to green assets and thereby contributes to climate change mitigation and adaptation, as well as environmental protection. The six Green Sectors defined in the France's Green OAT Framework would positively impact France's environmental performance, especially regarding its areas of improvement in water management, energy and water efficiency, land use and protection.

France's Green OAT framework is coherent with the main Environmental Policies of France, with the State's roles, budget strategy and treasury needs, and appears to contribute to the achievement of France's commitments and objectives. As a result, we have a reasonable assurance on France's willingness and capacity to integrate relevant issues in terms of Environmental responsibility.

France's Green OAT framework



Use of proceeds

In line with the France's Environmental Policies and the State's roles, France will finance and refinance Green Eligible Expenditures, included in six Green Sectors* and defined targeted assets**, based on the French "Energy and Ecological Transition for Climate" (TEEC) label.

Each Green Eligible Expenditure contributes to one (or several) Green Objectives and meets one (or several) Green Sectors and a set of additional eligibility criteria evaluated by Vigeo Eiris.

* France Green Sectors include:

- Buildings
- Transport
- Energy
- Living resources and biodiversity
- Adaptation
- Pollution control and Eco-efficiency

** Green Eligible Expenditures include Recent, Current and/or Future expenditures corresponding to existing, on-going and/or future investments mainly located in France (few European projects), and a wide range of targeted assets financed, covering several beneficiaries:

- "Recent" means general budget and PIAs⁸ made in 2016, "Current" means general budget and PIAs to be made in 2017 and "Future" PIAs and expenditures to be made in the coming years
- Real and intangible assets such as Land and territories, Real estate assets, Infrastructures, Systems & Organisations, Applied Research & Innovation and Scientific knowledge
- Main beneficiaries: corporations, public agencies, local authorities, households.

Use of proceeds criteria and expected environmental benefits have been defined and evaluated in the table below:

Green sector	Definition	Objectives	Sustainability benefits	Vigeo Eiris analysis
Buildings	Expenditures related to energy efficient building from investments by households and social housing corporations (tax breaks, subsidised loan,...)	Improve buildings' energy efficiency	Climate change mitigation Energy savings and GHG emissions reduction	The definition is clear and the content is relevant, in line with the national strategy. Eligible types of equipment, works and technologies are clearly defined, even if no environmental management system or certification is required No energy efficiency targets are defined but ex-post relevant results on existing expenditures are in place (around 35% of energy efficiency) The objectives are visible, measurable and relevant.
Transport	Expenditures related to - Public transportation (support to waterways and rail operators) - Modal transfer infrastructure and systems - Energy efficient transportation systems and technologies	Maintain, increase and favour public transportation, and support modal transfer Reduce usage, improve energy efficiency and decrease carbon intensity of vehicles	Climate change mitigation Energy savings and GHG emissions reduction	The definition is clear and the content is relevant, in line with the national strategy. Expenditures are mainly related to public transport and promotion of alternatives to fossil fuel vehicles (modal transfer) Energy efficient transportation systems and technologies are limited to abatement systems and alternative solutions No energy efficiency targets are defined but ex-post relevant results on existing expenditures are in place. The objectives are visible, measurable and relevant.
Energy	Expenditures related to the development of renewable energy assets and technologies (wind, solar, hydro, geothermal, marine), including its efficient integration in power systems (smart grids)	Develop renewable energies production and efficient distribution	Climate change mitigation Energy savings and GHG emissions reduction	The definition is clear and the content is relevant, in line with the national strategy. Eligible renewable energies are clearly defined, excluding use of biomass for cogeneration and focusing on hydro in temperate zones The objectives are visible, measurable and relevant.

⁸ PIA means "Programme d'Investissements d'Avenir", the French "Investing in the Future" programme.

Green sector	Definition	Objectives	Sustainability benefits	Vigeo Eiris analysis
Living Resources & Biodiversity	Expenditures related to <ul style="list-style-type: none"> - The support of organic farming and sustainable forestry management - The enhancement of biodiversity protection - Investments in protected natural areas 	Develop biodiversity and land environmental protection and organic farming	Protection of natural resources Biodiversity protection (fauna and flora), water and resources savings	The definition is clear and the content is relevant, in line with the national strategy. Eligible expenditures are based on recognised certifications or labels (organic farming certification, sustainable forestry management –PEFC label, protected natural areas) No biodiversity targets but relevant monitoring indicators. The objectives are visible, measurable and relevant.
Adaptation	Expenditures related to the development of climate change and extreme weather events research and observation systems and of adaptation related research and infrastructure (e.g. atmosphere, oceans and biosphere monitoring systems, incl. ships and satellites)	Climate change adaptation	Climate change adaptation Development of observation systems & organisations, of climate research & innovation and adaptation research infrastructure	The definition is clear and the content is relevant, in line with the national strategy. The eligibility is limited to climate change and extreme weather events systems and research. The objectives are visible, measurable and relevant.
Pollution control & Eco-efficiency	Expenditures related to <ul style="list-style-type: none"> - The development of pollution monitoring and control systems - The promotion of sustainable consumption and production modes (waste reduction and recycling, e.g. the circular economy) 	Reduce air, soil and water pollution Promote sustainable consumption and production modes	Protection of natural resources Natural resources savings, waste recycling Reduction of ecosystem degradations Reduction of waste and pollution in air, soil and water	The definition is clear and the content is relevant, in line with the national strategy. The objectives are visible, measurable and relevant.

Green Eligible Expenditures' contribution to sustainable development is positive due to expected environmental benefits on climate change mitigation and adaptation, protection of natural resources and reduction of ecosystem degradations. The associated objectives are visible, precise and relevant. The benefits have been described and will be assessed and/or quantified, using output and impact reporting (see Part III).

In addition, Vigeo Eiris considers that the Green Sectors align with the following UN Sustainable Development Goals:

Contribution to achieving the UN SGD 7. Affordable and clean energy



The UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all, with targets by 2030 on the substantial increase of the share of renewable energy in the global energy mix; the improvement in energy efficiency; and the promotion of access to clean energy research and technology. By using the Green OAT proceeds to (re)finance expenditures related to the defined Energy, Transport and Buildings Green Sectors, France is contributing to the UN SDG 7, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 9. Industry, Innovation, & Infrastructure



The UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialisation and fostering innovation, with targets by 2030 on the development of quality, reliable, sustainable and resilient infrastructure; enhancing scientific research, upgrading the technological capabilities of industrial sectors, encouraging innovation and the substantial increase of the number of research and development workers, as well as public and private research and development spending; and the significant increase of access to information and communications technology. By using the Green OAT proceeds to (re)finance expenditures related to the defined Infrastructure, Scientific knowledge, Systems & Organisations and Applied research & Innovation targeted assets, included in all Green sectors, France is contributing to the UN SDG 9, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 11. Sustainable Cities & Communities



The UN SDG 11 consists in making cities inclusive, safe, resilient and sustainable, with targets by 2030 on access to safe, affordable, accessible and sustainable transport systems for all, notably by expanding public transport; enhancing inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management; the reduction of the adverse per capita environmental impact of cities, including through special attention paid to air quality and waste management. By using the Green OAT proceeds to (re)finance expenditures related to the defined Transport and Pollution control Green Sectors, especially Eco-Cities related expenditures, France is contributing to the UN SDG 11, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 12. Sustainable Consumption & Production



The UN SDG 12 consists in ensuring sustainable consumption and production patterns, with targets by 2030 on the sustainable management and efficient use of natural resources, and by 2020 on the environmentally sound management of chemicals and all waste throughout their life cycle and the reduction of their release to air, water and soil in order to minimise their adverse impacts on human health and the environment. By using the Green OAT proceeds to (re)finance expenditures related to the defined Living resources & Biodiversity and Pollution control Green Sectors, France is contributing to the UN SDG 12, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 13. Climate action



The UN SDG 13 consists in taking urgent action to combat climate change and its impacts, with targets by 2030 on the strengthening of resilience and adaptive capacity to climate-related hazards and natural disasters in all countries; and the improvement of education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. By using the Green OAT proceeds to (re)finance expenditures related to the defined Adaptation Green Sectors, France is contributing to the UN SDG 13, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 14. Life Below Water



The UN SDG 14 consists in conserving and sustainably using the oceans, seas and marine resources, with targets by 2030 on the prevention and significant reduction of marine pollution of all kinds; the sustainable management and protection of marine and coastal ecosystems to avoid significant adverse impacts; the mitigation of the impacts of ocean acidification, including through enhanced scientific cooperation at all levels; and the increase of scientific knowledge, development of research capacity and transfer of marine technology. By using the Green OAT proceeds to (re)finance expenditures related to the defined Living resources & Biodiversity and Pollution control Green Sectors, France is contributing to the UN SDG 14, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 15. Life on land



The UN SDG 15 consists in sustainably managing forests, combat desertification, halt and reverse land degradation, halt biodiversity loss, with targets by 2030 on the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services; the promotion of the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally; the reduction of natural habitats degradation and the halt in loss of biodiversity. By using the Green OAT proceeds to (re)finance expenditures related to the defined Living resources & Biodiversity Green Sectors, France is contributing to the UN SDG 15, with regards to the above-mentioned targets.

Process for expenditure evaluation and selection

France is committed to attesting the transparency and efficiency of selection process and the responsible management of the proceeds and financed expenditures, through additional Eligibility Criteria, which have been evaluated by Vigeo Eiris using our evaluation methodology based on international and sector standards.

- The process for expenditure evaluation and selection implemented in the France's Green OAT framework is robust, regarding the transparency, governance and efficiency of the defined method, in line with the Green Bond Principles guidelines.
 - The evaluation and selection process is clearly defined, formalised and publically available, with clear eligibility and exclusion criteria based on the French TEEC label as a reference. In particular, the selection process aimed at excluding all nuclear activities, all armament activities, and any expenditures mainly related to fossil fuel, based on best effort approach and transparent disclosure, as well as excluding expenditures financed by an allocated resource and from public agencies that could potentially issue Green Bonds
 - Internal roles and responsibilities are well-defined, with a dedicated Interministerial Working Group in charge of the selection of Eligible Green Expenditures, coordinated by the Ministry of Finance and the Ministry of Environment. Each ministry holds the responsibility for identifying and reporting on Eligible Green Expenditures within its perimeter

- Involved people (concerned cabinets of Ministers, relying on its internal services and agencies) are appropriate
 - The evaluation and selection is validated by each Ministry. The list will be audited by an external audit firm
 - All Eligible Green Expenditures have been publically documented and record of decisions have been established for Interministerial Working Group meetings, enabling the traceability of selection decisions
 - We have recommended to clarify the method for classifying and selecting expenditures in order to reinforce its reproductibility, to involve external experts and/or scientific committees in the process, and to define the update conditions.
- In addition, beyond the Green Bond Principles guidelines, in line with international standards, the integration of ESG factors in expenditures management is partial, including an analysis of potential impacts of the envisaged measures in terms of economic, social and environmental implications on stakeholders, without a systematic approach.
 - Each expenditure have been subjected to an expenditure stakeholder consultation process, within the preliminary impact analysis
 - In case of any inappropriate use of expenditures by the beneficiaries and/or ESG material non-compliance and condemnation/adverse judgment related to a selected Green Expenditure, France intends to replace it by an other Eligible Green Expenditure in line France's Green OAT Framework
 - Based on the principles of the segregation of duties between authorising officers, accounting officers and financial controllers and on the existing tax inspections, there is internal control systems regarding the appropriate use of expenditures by beneficiaries
 - We have recommended to reinforce transparency on the integration of ESG factors in the process and internal control systems regarding the ESG monitoring of projects related to selected expenditures (post-allocation).

Management of proceeds

The rules for management of proceeds are clearly defined and would enable a documented transparent allocation process.

- The net proceeds of the OAT will be managed within the Issuer's treasury liquidity portfolio, in cash or other liquidity instruments that do not include GHG intensive activities or any controversial activity.
- The Issuer will allocate the Green OAT proceeds towards Green Eligible Expenditures. The proceeds will be used to finance Recent (general budget and PIAs made in 2016), Current (general budget and PIAs to be made in 2017) and Future (PIAs to be made in the coming years) expenditures corresponding to existing, on-going and/or future investments.
- France commits to:
 - Ensure to minimise effect of uncertainties on Current & Future expenditures on Green OAT issuance capacity.
 - Ensure that Current & Future expenditures represent more than 50% of the allocation of any Green OAT. Consequently, the overall share of refinancing will not exceed 50%.
 - Allocate in priority to Recent & Current expenditures, *pari passu*, and then, if necessary, to Future expenditures by chronological order.
 - Provide full transparency to investors on the nature of allocations.
- In case of asset postponement, France will use the net proceeds to (re)finance other Eligible Green Expenditures, which are compliant with the Green OAT framework, corresponding to one of the Green Sectors without distinction.
- The Ministry of Finance will track the investments of the proceeds allocated to Green Eligible Expenditures, with internal and external control through the general managerial framework, with the segregation of duties between authorising officers and accounting officers, and completed by the review of an external auditor. This tracking of funds is integrated into the annual financial reporting and in its closing process.

Reporting

France commits to transparently report on the Green OAT including on:

- Use of Proceeds: nature and type of expenditures financed by the proceeds, with related description of main emblematic investments, annually and up to the complete allocation of bond proceeds.
- Environmental benefits:
 - Outputs: evaluation of major outputs, mostly based on existing indicators for the performance assessment of public expenditures, disclosed at sector level, annually and up to the complete allocation of bond proceeds.
 - Impacts: estimates of ex-post impacts based on specific assessments commissioned under the auspices of the Green Bond Evaluation Council, disclosed at sector level, on an adapted frequency basis depending on the sector and until the maturity date of the bond

When reporting on the outputs, the Issuer will select relevant indicators among existing indicators within the public budgetary documents. For PIAs related expenditures, the Issuer may select alternate quantitative or qualitative indicators, to remain relevant to the selected Green Expenditures. For all expenditures, the Issuer may integrate additional qualitative or quantitative indicators considered appropriate to disclose relevant information on expenditure management.

Concerning allocation and outputs, the Issuer is committed to report through an annual dedicated report publically available, according to the Green Bond Principles guidelines. The monitoring and data collection on fund allocations and output indicators will be ensured by each involved Ministry and coordinated by the Ministry of Finance. Reporting on allocation will be verified by annual external audits.

We have recommended to reinforce monitoring and reporting related to expenditures ESG management.

France creates a dedicated Green Bond Evaluation Council (the "Council"),

- Its roles and responsibilities are clearly defined, i.e. the definition of impact reporting methodologies, guidelines and frequency for impact reporting, quality assessment of the evaluation reports and evaluation of the implementation and results of the reporting (opinion).
- The evaluation will be made independently and reported directly to the Council.
- The President of the Green Bond Evaluation Council will be independent with relevant skills and background. The Council will be composed of 6 to 8 independent experts in green finance, named for 3 years.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance/Institution (ESG/I) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation or activity, including the issuance of fund raising. In this sense, Vigeo Eiris writes an opinion on the Issuer's sustainability performance as an organisation, and on the objectives, management and reporting of the expenditures (re)financed by this transaction.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organisations (NGOs)). Information gathered from these sources will be considered as long as they are public, documented and traceable.

In total, Vigeo Eiris has reviewed more than hundred documents and websites of relevant stakeholders (European Union, UN International Justice Court, OECD, UNEP,...) and of France's ministries and services related to the Green OAT evaluation (list of potential expenditures, Green OAT framework, programmes' description and performance evaluation, environmental policies, environmental evaluation reports,...), and has held meetings with members from several services (including representatives of the Ministry of Economy and Finance, the Ministry of Environment, Energy and Marine Affairs, the Ministry of Agriculture, Agrifood and Forestry, the Ministry of Foreign Affairs and International Development, and the Ministry of National Education, Higher Education and Research).

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

Part I. ISSUER

The Issuer performance, i.e. commitments and results, related to sustainability issues has been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. Furthermore, this assessment has been completed by Vigeo Eiris Enterprise based on additional public information and stakeholders' views and opinion collected from public documentation.

Level of the Issuer's sustainability performance

Vigeo Eiris' methodology, the Sustainability Country Rating®, measures and compares the levels of integration of international public law and soft law frameworks, including for the recent period the Sustainable Development Goals (SDGs), and the action programmes of Agenda 21, adopted by 173 countries at the Rio Earth Summit in 1992. We pay particular attention to the commitments, policies and impacts of public policies in terms of respect of fundamental human rights, access to economic, social, cultural and environmental rights, quality of governance, as well as international solidarity and cooperation. Based on the analysis of a universe composed of 181 countries, the results provide a picture of the comparative risks and performances, with regard to universally acknowledged sustainability objectives.

France has been evaluated by Vigeo Eiris in December 2016 on its sustainability performance, based on 40 criteria organised in three rating domains, all equally weighted in the model: Environment (i.e. environmental protection), Social (i.e. social protection and solidarity) and Institutions (i.e. rule of law and governance).

These three domains are analysed through 40 criteria, which bring together 121 set of indicators of two types:

- Commitment indicators: reflecting the state's level of commitment to the goals and principles set by major international agreements: Conventions, recommendations and statements of the ILO; UN Charters and treaties; guiding principles of the OECD; regional instruments (assuming their full compliance with the United Nations Charter); the Universal Declaration of Human Rights and its related protocols and treaties.
- Result indicators: measuring the efficiency of the country's sustainable development actions.
 - Scale for assessment of sustainability performance: Advanced, Robust, Limited, Weak.

Vigeo Eiris gathers information from diversified sources including international organisations such as intergovernmental organisations, international trade unions and NGOs. The main sources of information used by Vigeo Eiris to collect indicators are:

- ▶ Environmental responsibility: the United Nations Environment Programme (UNEP), the United Nations Food and Agriculture Organisation (FAO), the Carbon Dioxide Information Analysis Center (CDIAC), the UNEP World Conservation Monitoring Center (WCMC), the World Resources Institute (WRI), the World Bank (WB).
- ▶ Institutional responsibility: COFACE, Freedom House, the International Labour Organisation (ILO), the International Budget Partnership, the Office of the United Nations High Commissioner on Human Rights (OHCHR), Reporters Without Borders, Transparency International, the United Nations (UN), the World Bank (WB), the United Nations Conference on Trade and Development (UNCTAD), Amnesty International.
- ▶ Social responsibility and solidarity: the World Bank (WB), the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), the United Nations International Children's Emergency Fund (UNICEF), the World Health Organisation (WHO), the United Nations Food and Agriculture Organization (FAO), the United Nations Development Programme (UNDP), the Joint United Nations Programme on HIV and AIDS (UNAIDS), the United Nations Educational Scientific and Cultural Organization (UNESCO), the United Nations UN-Habitat programme, the OECD Development Center, the United Nations Office on Drugs and Crime (UNODC).

Stakeholders' feedback

1. Stakeholders' views and opinions based on public information

Vigeo Eiris has gathered sustainability-related stakeholder feedbacks on France's sustainability commitments and practices from public information in order to take account of their views and opinions.

The main sources of information used by Vigeo Eiris to collect this information are:

Amnesty International, Transparency International, the United Nations Food and Agriculture Organization (FAO), International Labour Office (ILO), the United Nations Division for Sustainable Development of the Department of Economic and Social Affairs (DESA-DSD), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the UNICEF, the Office of the United Nations High Commissioner on Human Rights (OHCHR), the World Resources Institute (WRI), the Organization for Economic Cooperation and Development (OECD).

2. Sustainability-related allegations

An allegation is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on country/state responsibility issues.

Such allegations are mainly related to infringement procedures that can be initiated when a failure to comply with obligations under national, community or international laws is detected. We have considered different steps of the procedures based on their status in the advancement of the infringement procedures and decisions, and have only integrated material non-compliances and condemnation/adverse judgment, i.e. justice decision ruled against the Issuer and possible penalties payment or corrective measures to be taken.

Vigeo Eiris provides an opinion on sustainability-related allegations risk mitigation based on the analysis of three factors:

- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, prove actual Issuer responsibility in its occurrence, and have adverse impacts for stakeholders, the highest its severity will be. Severity assigned at country level will reflect the highest severity of all cases faced by the Issuer (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 country level, this factor will reflect the overall responsiveness of the Issuer for all cases faced (scale: Proactive, Remediate, Reactive, Non Communicative);
- **Frequency:** reflects for each ESG challenge the number of allegation cases faced. At country level, this factor reflects on the overall number of cases faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

The impact of an allegation on an Issuer's reputation reduces with time, depending on the severity of the case and the Issuer's responsiveness to this case. Conventionally, Vigeo Eiris covers allegation cases during 4 years.

The main sources of information used by Vigeo Eiris to collect this information are: the European Commission, the European Court of Justice, the European Court of Human Rights, the UN International Court of Justice.

Part II. ISSUANCE

The Green OAT framework has been evaluated by Vigeo Eiris according to the Voluntary Process Guidelines issued by the Green Bond Principles (GBP) v.2016, to its alignment with the UN Sustainable Development Goals, and to international standards and sector guidelines applying in terms of ESG issues.

Use of proceeds

The use of proceeds requirements are defined to ensure that the funds raised are used to finance and/or refinance an Eligible Projects and are traceable within the issuing organisation. Each project endorsed shall comply with at least one of the Eligible Project Category definition in order to be considered as an Eligible Green Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Green OAT's associated Eligible Green Expenditures has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Projects. The contribution of Eligible Projects to Sustainable Development is evaluated based on the United Nations Sustainable Development Goals.

Process for expenditure evaluation and selection

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

Management of proceeds

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

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of Eligible Projects financed by the Green OAT proceeds, collected at project level and potentially aggregated at bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of assessment for processes and commitments: Weak, Limited, Robust, Advanced
- Scale of level of assurance on issuer’s capacity: Reasonable, Moderate, Weak

VIGEO EIRIS’ ASSESSMENT SCALES

Performance evaluation	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and use of innovative methods to anticipate emerging risks
Robust	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak

Level of assurance	
Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework

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