

GREEN OATs

FRAMEWORK

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PART 1 – INTRODUCTION

1.1 French environmental policy

France is making significant efforts to decarbonise its economy, make the country more resilient to climate risks, combat all forms of pollution, preserve and restore terrestrial and marine biodiversity, and limit resource use. These efforts are translated into quantified commitments in various national plans and strategies.

In particular, France committed to reducing its greenhouse gas emissions as part of the Paris Agreement, which aims to limit global warming well below 2°C by 2100 and to pursue efforts to limit the increase to 1.5°C. These commitments are reflected in each country's submission of a Nationally Determined Contribution (NDC). The European Union submits this contribution collectively, and France deploys it through its national legislation.

As these elements are likely to be updated, they are presented annually in the Allocation and Performance Report available on the *Agence France Trésor* (AFT) website. In addition, the AFT website provides links to the websites of the ministries involved in the implementation of public policies in favour of the environment.

1.2 France's commitment to sustainable finance

France played a pioneering role by becoming the first sovereign issuer of a benchmark green bond on the financial markets in 2017. Through *Agence France Trésor* (AFT), the agency that issues and manages public debt, the French government has established itself as a key player in the sovereign green bond market.

This success has paved the way for other initiatives aimed at aligning public finances with the goals of the environmental transition. For example, France was also the first country to adopt an environmental budgeting approach. The French Parliament made it a legal obligation through Article 179 of the Budget Act of 28 December 2019, which introduces the Green Budget¹: "This report shall set out all expenditure from the general budget of the State and public funds, including tax expenditure, presented in the Budget Act for the year, which has a significant positive or negative impact on the environment". The Green Budget is drawn up each year by an interministerial working group led by the Budget Directorate and comprising the Ministry for Ecological Transition and the Ministry for the Economy and Finance. The working group assesses the environmental impact of each action to cover all state budget expenditure. This means tagging all budget appropriations, tax expenditure and taxes allocated to public bodies with a favourable, unfavourable or neutral tagging. More details on Green Budget are presented in section 2.2 *Process for project evaluation and selection of green eligible expenditure*.

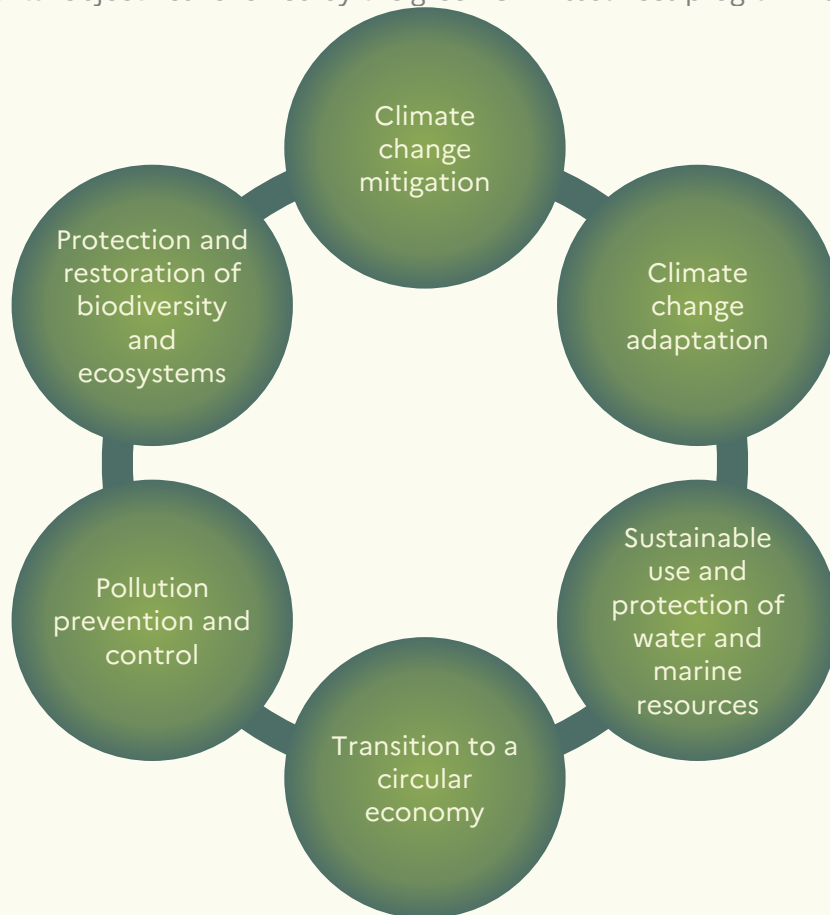
The first Green Budget was attached to the 2021 Budget Bill Act. Since then, it has been an innovative tool for assessing the environmental impact of budgetary policies and is part of a broader approach to make public action more transparent and effective in terms of sustainability.

¹ https://www.budget.gouv.fr/reperes/green_budgeting

1.3 Green bond issuances in support of national environmental strategy

Since 2017, the issuance of green OATs has made it possible to support the financing of expenditure related to the implementation of national environmental policies that identify six environmental objectives.

Figure 1 - Six environmental objectives followed by the green OAT issuances programme



These objectives correspond to those defined in article 9 of the EU Taxonomy regulation² and are also those that guide the assessment of the environmental impact of public expenditure as per Green Budget methodology.

² https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32020R0852#tit_1

PART 2 – GREEN OAT FRAMEWORK

This framework has been developed to be aligned with the Green Bond Principles (GBP) 2021 as administrated by the International Capital Market Association (ICMA).

2.1 Use of proceeds

a. Budgetary base of green eligible expenditure

Based on the dedicated French budgetary framework, green eligible expenditure includes expenditure from the State's general budget or earmarked accounts. It includes the following expenditure insofar as they all contribute to the deployment of France's climate and environmental policies as specified in the introduction:

- Tax expenditure: tax exemptions to reduce the tax burden on taxpayers;
- Capital expenditure: expenditure on the State's tangible and intangible fixed assets;
- Intervention expenditure: transfers to households, businesses, local and regional authorities and other authorities;
- Expenditure on financial transactions: loans and advances, equity endowments and expenditure on financial holdings;
- Operating expenditure: subsidies for public service obligations and operating expenditure other than personnel expenditure;
- Personnel expenditure.

In order to prevent double-counting when allocating green eligible expenditure to funds raised through green OAT issuances, they exclude:

- French State's expenditure financed through a dedicated resource (e.g., earmarked taxes in the budgetary nomenclature) or directed toward European funding (e.g. Next Generation EU funding programme);
- Expenditure on financial transactions if it is refinanced by the entity concerned through the issuance of its own green bonds (e.g. *Agence Française de Développement*).

The funds raised through the issuance of green OATs are allocated to green eligible expenditure carried out in the year of issuance or the year preceding it, allowing a look back period of one year. Funds allocated to expenditure in year N-1 may not exceed 50% of the total amount issued in the year.

b. Environmental characteristics of green eligible expenditure

In order to meet the environmental objectives defined in the first part of this framework document, seven priority sectors have been identified.

Figure 2 - Seven priority sectors



APPLICATION OF EUROPEAN TAXONOMY REGULATION

To date, the various delegated acts have defined 101 'eligible' economic activities (or sub-sectors) divided into 17 sectors.

Complying with the European Taxonomy is a two-staged process: firstly, identify the economic activities (or sub-sectors) 'eligible' to the EU Taxonomy (covered by its scope), and secondly, identify expenditure that are effectively 'aligned' with the EU Taxonomy and meets the following three cumulative conditions set out in the various Delegated Acts

- Make a significant contribution to one of the six environmental objectives (technical screening criteria)
- Have not adversely affected the other five environmental objectives (Do No Significant Harm, or "DNSH")
- Respect minimum social safeguards ("MSS")







With regard to the eligibility of green eligible expenditure under the EU Taxonomy, AFT highlights in this revised framework document the green expenditure covered by the EU Taxonomy (indicated in the last column of the table below). Other expenditure such as specific public expenditure (financing of operators and calls for projects), those related to Official Development Assistance and those related to activities not currently covered by delegated acts (certain expenditure on research and development, agriculture and information and communication technologies) remain eligible under this framework document.

As regard to the alignment of green eligible expenditure with the EU Taxonomy, as specified in section 2.4 of this document, AFT carries out an analysis of the technical criteria set out in the Delegated Acts for the green eligible expenditure concerned. The results of this analysis are available in the Allocation and Performance Report and are updated annually.

In addition, AFT carries out a detailed mapping of the environmental and social laws and regulations in force in France, as well as the internal processes designed to meet the requirements of the "Do No Significant Harm" (DNSH) approach and the Minimum Social Standards (MSS) in accordance with the various Delegated Acts of the EU Taxonomy Regulation, and publishes the results of this mapping in an *ad hoc* document on its website.

The expenditure linked to these sectors is characteristic of the public action taken in terms of climate and environment. The following table sets out the public policy objectives pursued by each green sector and the criteria for green eligible expenditure.

Figure 3 - Categories of green eligible expenditure

GREEN SECTOR	OBJECTIVES	GREEN ELIGIBLE EXPENDITURE ³	EUROPEAN TAXONOMY – OBJECTIVES AND ELIGIBLE ECONOMIC ACTIVITIES
SUSTAINABLE BUILDINGS   <p>[ICMA GBP green project categories: (i) Green buildings, (ii) Energy efficiency]</p>	<ol style="list-style-type: none"> (1) Improving the energy performance and adapting the private housing stock through renovation and construction projects (2) Optimising and improving the energy efficiency of publicly owned buildings 	<p><u>Sub-category (1):</u> Expenditure on the energy renovation of buildings in the private sector through major renovations resulting in a minimum of 2 energy labels, i.e. a minimum reduction of 22%⁴ in primary energy consumption. In addition, the scheme also covers renovation work such as loft or roof insulation, the installation of a heat pump and double-glazed windows, with the firm exclusion of the installation of gas boilers and oil-fired heating systems.</p> <p><u>Sub-category (2):</u> Expenditure on the State's property policy to achieve the objective of ecological transition and its three levers: sobriety in property - reduction in surface area used -, changes in use - sobriety in use and in the operation of buildings - and overall renovation of the stock - energy refurbishment.</p>	<p>Activities eligible from the annex dedicated to Climate change mitigation (Annex I – Climate Delegated Act)</p> <ul style="list-style-type: none"> 7.1. Construction of new buildings 7.2. Renovation of existing buildings 7.3. Installation, maintenance and repair of energy efficiency equipment 7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings 7.7. Acquisition and ownership of buildings
SUSTAINABLE TRANSPORT AND INFRASTRUCTURE   <p>[ICMA GBP green project categories: (i) Clean transportation]</p>	<ol style="list-style-type: none"> (1) Supporting private individuals in their transition to sustainable mobility through financial incentives (2) Encourage the infrastructures' deployment linked to modal shift and support its use (3) Accelerating the development and deployment of innovative transport technologies 	<p><u>Sub-category (1):</u></p> <ul style="list-style-type: none"> ✓ Tax exemptions or subsidies for vehicles with zero tailpipe emissions. ✓ Financial aid for private individuals to encourage the use of public transport. <p><u>Sub-category (2):</u> Financial support for the deployment of sustainable mobility infrastructures (rail, sea, river).</p> <p><u>Sub-category (3):</u> Financing of projects linked to the development of sustainable mobility (e.g. Bicycle Industry Projects).</p>	<ul style="list-style-type: none"> All economic activities eligible listed in section 6. Transport from the annex dedicated to Climate change mitigation (Annex I – Climate Delegated Act)
LOW-CARBON ENERGY GENERATION, TRANSMISSION AND STORAGE   <p>[ICMA GBP green project categories: (i)]</p>	<ol style="list-style-type: none"> (1) Financing the decarbonisation and diversification of the energy mix (2) Strengthening skills in low-carbon energies (3) Optimising energy consumption through efficient infrastructures 	<p><u>Sub-category (1)</u></p> <ul style="list-style-type: none"> o Financial support for the production of renewable energy (gas or electricity⁵) in mainland France or in non-interconnected areas⁶. o Financial support for the production of nuclear energy aligned with the technical criteria of the EU Taxonomy regulation for the following economic activities (Annex I - Complementary Climate Delegated Act): 	<ul style="list-style-type: none"> All economic activities eligible listed in section 4. Energy of the annex dedicated to Climate change mitigation (Annex I – Climate Delegated Act and annex I Complementary Climate Delegated Act)

³ The list of expenditure is non-exhaustive in order to take account of possible changes in the scope of public action. Other expenditure that is favourably rated within the meaning of the Green Budget (see part 2.2) and that helps to meet the objectives of the targeted green sector could be added and will be the subject of precise reporting in the annual allocation and performance report.

⁴ The 22% threshold corresponds to the minimum reduction in primary energy consumption generated by the requirement to improve two energy labels in the French Energy Performance Diagnostic.

⁵ **Renewable gas** production technologies include methanisation (anaerobic digestion), pyrogasification, power-to-gas and hydrogen production by water electrolysis. The **renewable electrical energies** concerned are: photovoltaic solar power (on the ground and on roofs), wind power (on land and at sea), hydroelectricity, biogas, biomass and geothermal energy. Solar thermal energy and heat pumps are also considered as a source of **renewable heat production**.

⁶ The non-interconnected zones include the overseas departments and regions (Guadeloupe, French Guiana, Martinique, Réunion), the territorial units with special status (Corsica), certain overseas units (Saint-Martin, Saint-Barthélemy, Saint-Pierre-et-Miquelon, Wallis and Futuna, Mayotte) and the Ponant islands (the islands of Sein, Molène, Ouessant and Chaouey).

GREEN SECTOR OBJECTIVES	GREEN ELIGIBLE EXPENDITURE ³	EUROPEAN TAXONOMY – OBJECTIVES AND ELIGIBLE ECONOMIC ACTIVITIES
<p>Renewable energy, (ii) Energy efficiency]</p>	<ul style="list-style-type: none"> 4.26 Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle; 4.27 Construction and safe operation of new nuclear power plants, for the generation of electricity or heat, including for hydrogen production, using best-available technologies; 4.28 Electricity generation from nuclear energy in existing installations <p><u>Sub-category (2):</u> Financing of research activities carried out by French research operators⁷ in the field of renewable energies and low-carbon energies as defined in sub-category (1).</p> <p><u>Sub-category (3):</u> financing energy distribution infrastructure and energy efficiency in France.</p>	
<p>SUSTAINABLE USE OF RESOURCES AND ENVIRONMENTAL PROTECTION</p> <div data-bbox="92 1099 284 1391">      </div> <p>[ICMA GBP green project categories: (i) Environmentally sustainable management of living natural resources and land use, (ii) Terrestrial and aquatic biodiversity conservation, (iii) Sustainable water and wastewater management, (iv) Circular economy adapted products, production</p>	<p>(1) Encouraging more rational and environmentally-friendly land use</p> <p>(2) Financing public policies to protect and restore biodiversity</p> <p>(3) Limiting pressure on resources</p> <p><u>Sub-category (1):</u> Tax exemptions and expenditure linked to responsible land use in connection with agriculture, agri-food and forestry.</p> <p><u>Sub-category (2):</u> Expenditure on preserving landscapes, water and biodiversity, particularly as part of the National Strategy for Biodiversity.</p> <p><u>Sub-category (3):</u> Expenditure on implementing policies to preserve water resources and limit the amount of waste produced.</p>	<p>Activities eligible from the annex dedicated to Climate change mitigation (Annex I – Climate Delegated Act)</p> <ul style="list-style-type: none"> 1.1. Afforestation 1.2 Rehabilitation and restoration of forests, including reforestation and natural regeneration after an extreme event 1.3. Forest management 1.4. Conservation forestry 5.9. Sorting and material recovery of non-hazardous waste <p>Activities eligible from the annex dedicated to Transition to circular economy (Annex II – Environmental Delegated Act)</p> <ul style="list-style-type: none"> 5.1. Repair, refurbishment and remanufacturing <p>Activities eligible from the annex dedicated to Pollution prevention and control (Annex III – Environmental Delegated Act)</p> <ul style="list-style-type: none"> 2.3. Remediation of legally non-conforming landfills and abandoned or illegal waste dumps 2.4. Remediation of contaminated sites and areas <p>Activities eligible from the annex dedicated to Biodiversity (Annex IV – Environmental Delegated Act)</p>

⁷ E.g., public research bodies such as the Commissariat à l'Energie Atomique (CEA), IFP Energies nouvelles (IFPEN), or the Instituts pour la transition énergétique (ITE).

GREEN SECTOR	OBJECTIVES	GREEN ELIGIBLE EXPENDITURE ³	EUROPEAN TAXONOMY – OBJECTIVES AND ELIGIBLE ECONOMIC ACTIVITIES
	technologies and processes]		<ul style="list-style-type: none"> 1.1. Conservation of habitats, ecosystems and species, including restoration
SUSTAINABLE DEVELOPMENT OF THE TERRITORY   <i>[ICMA GBP green project categories: (i) Climate change adaptation, (ii) Climate change adaptation]</i>	(1) Supporting the adaptation of urban areas to climate change (2) Limiting air pollution at national level	<p><u>Sub-category (1):</u> Expenditure, particularly for local authorities, on land-use planning with a view to adapt to climate change, such as the renaturation of towns and villages or actions to prevent the retreat of the coastline.</p> <p><u>Sub-category (2):</u> Expenditure on improving air quality and reducing atmospheric pollutants, in particular the roll-out of low-emission zones.</p>	<p>Activities eligible from the annex dedicated to Climate change mitigation (Annex I – Climate Delegated Act)</p> <ul style="list-style-type: none"> 9.3. Professional services related to energy performance of buildings <p>Activities eligible from the annex dedicated to Climate change adaptation (Annex II – Climate Delegated Act)</p> <ul style="list-style-type: none"> 14.2. Flood risk prevention and protection infrastructure <p>Activities eligible from the annex dedicated to Sustainable use and protection of water and marine resources (Annex I – Environmental Delegated Act)</p> <ul style="list-style-type: none"> 3.1. Nature-based solutions for flood and drought risk prevention and protection
RESEARCH, INNOVATION AND SUSTAINABLE INDUSTRY   <i>[ICMA GBP green project categories: R&D related to all green project categories]</i>	(1) Financing research by public operators to meet environmental objectives (2) Supporting the development of innovation towards sustainable industry through public-private partnerships	<p><u>Sub-category (1):</u> Financial support for French operators involved in research into understanding and measuring climate change (e.g. <i>Météo France</i>).</p> <p><u>Sub-category (2):</u> Financing of projects with a positive impact on one of the six climate and environmental objectives of the EU Taxonomy, linked to:</p> <ul style="list-style-type: none"> ✓ Demonstrations under real conditions, start-ups and commercial launches; ✓ Priority research programmes and equipment; ✓ R&D and utilisation of research results. 	<p>Activities eligible under the Annex I dedicated to Climate change mitigation and the Annex II dedicated to Climate change adaptation (Climate Delegated Act)</p> <ul style="list-style-type: none"> Annex I 8.2. Data-driven solutions for greenhouse gas (GHG) emissions reductions Annex I 9.1. and Annex II 9.2. Market-oriented research, development and innovation Annex II 9.1. Engineering activities and related technical consultancy dedicated to climate change adaptation

GREEN SECTOR	OBJECTIVES	GREEN ELIGIBLE EXPENDITURE ³	EUROPEAN TAXONOMY – OBJECTIVES AND ELIGIBLE ECONOMIC ACTIVITIES
OFFICIAL DEVELOPMENT ASSISTANCE	     <p>(1) Contribute to the implementation of the SDGs by concentrating aid on priority countries and French strategic priorities, while strengthening the bilateral, community and international components.</p> <p><i>[ICMA GBP green project categories: official development assistance related to all green project categories]</i></p>	<p><u>Sub-category (1):</u> Expenditure related to official development assistance in the climate field⁸.</p>	No technical screening criteria currently available

c. Exclusion list

The expenditure allocated to the funds raised via green OAT issuances excludes the financing of the following activities, in compliance with the strict exclusion criteria defined by the *Greenfin - France Finance Verte* label in its 2025 version⁹:

- New projects for the exploration, extraction, transportation (of coal, oil or gas), and refining of solid, liquid or gaseous fossil fuels, as well as new power generation capacity from solid, liquid or gaseous fossil fuels are excluded
- The fossil fuel value chain activities listed below:
 - Exploration, extraction, refining and production of solid, liquid and gaseous fossil fuel products or derivatives
 - Transport/distribution and storage of solid and liquid fossil fuels
 - Energy production as electricity and/or heat, heating and cooling from solid, liquid and gaseous fossil fuels
 - Supply of solid and liquid fossil fuels

Furthermore, the following activities are also excluded from the scope of eligible expenditure:

- Production of systems or services or components specifically designed for weapons the use of which is prohibited by France's international commitments, in particular those listed in point 14 of Delegated Regulation 2022/1288 of 6 April 2022 supplementing Regulation 2019/2088 (biological weapons; chemical weapons; anti-personnel mines; cluster munitions);
- Production or trading of alcoholic beverages (excluding beer and wine)
- Production or trading of tobacco
- Production or trading of any product or activity deemed illegal by virtue of conventions and agreements, in particular those of the United Nations Global Compact, the OECD Guidelines, International Labour Organisation conventions, or subject to international bans

⁸ E.g., the French Global Environment Facility, the Green Climate Fund, the Multilateral Fund for the Montreal Protocol and the Adaptation Fund.

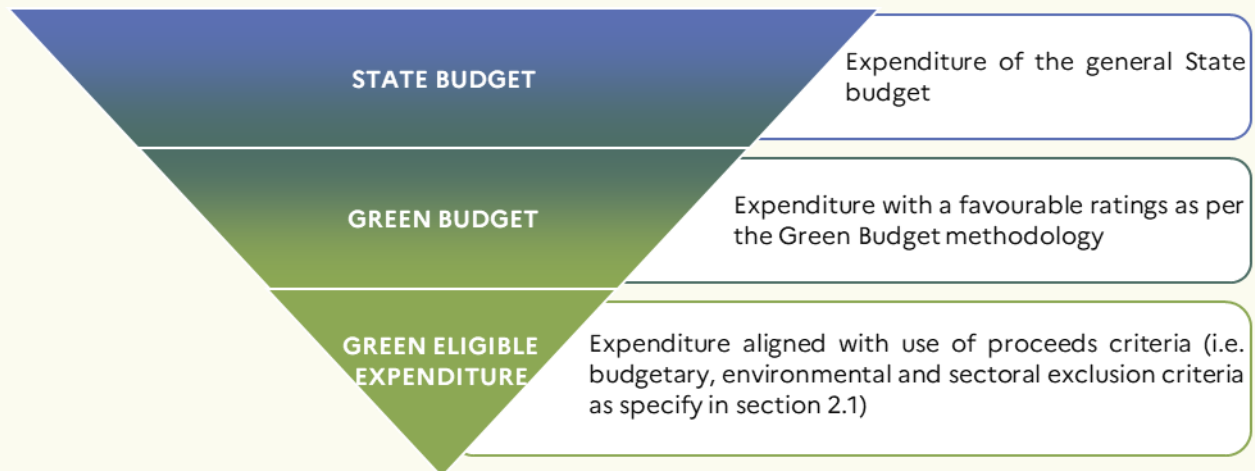
⁹ The French Greenfin label has been created to specifically identify investment funds contributing to the energy and ecological transition and mobilized private savings. The appendix 2 of Criteria Guidelines document specify its exclusion rules.

https://www.ecologie.gouv.fr/sites/default/files/documents/Label_TEEC_Criteria%20Guidelines.pdf

2.2 Process for evaluation and selection of green eligible expenditure

All green eligible expenditure is defined as a subset of expenditure rated favourably within the meaning of the Green Budget appended to the budget bill for the year in which it is incurred.

Figure 4 - From State budget to green eligible expenditure



The French Treasury, in conjunction with the Ministry for Ecological Transition, identifies green eligible expenditure as part of expenditure rated favourably within the meaning of the Green Budget and in application of the use of proceeds defined in 2.1. This excludes earmarked taxes and expenditure backed by EU funding.

GREEN BUDGET

The Green Budget is drawn up each year by an interministerial working group led by the Budget Directorate and comprising the Ministry for Ecological Transition and the Ministry for the Economy and Finance.

The Green Budget methodology evaluates government spending by assigning it a favourable, unfavourable, neutral or mixed rating. Expenditure is assessed in terms of its positive or negative contribution to each of the six environmental objectives (see section 1.3) by assigning it a score of -1 to 3. Expenditure receiving a negative score on one of the six objectives is given a 'mixed' or 'unfavourable' rating. All the ratings and the justifications of the ratings for each expenditure are published each year on the Budget Directorate website.

Restricting the scope of green eligible expenditure to only 'favourable' ratings ensures that the expenditure makes a positive contribution to at least one of the six objectives pursued by the green OAT issuance programme, while ensuring that it has no detrimental effects and does not encourage behaviour that would be harmful to the other objectives.

Ratings are reviewed annually by the above-mentioned working group. If the rating of an item of expenditure is downgraded, it will be excluded from the scope of green eligible expenditure. The funds then made available are allocated to expenditure that complies with the selection criteria in this section and the environmental criteria defined in section 2.1.

Each year, the green eligible expenditure identified is communicated to the Independent Assessment Board. They are validated at an interministerial meeting.

2.3 Management of proceeds

The total amount of net proceeds raised through green OAT issuances during the calendar year is allocated ex-post to an equivalent amount of green eligible expenditure, as defined in paragraph 2.1, on the basis of the amounts indicated in the Settlement Bill.

Furthermore, as defined in paragraph 2.1, funds may be allocated to expenditure for the current year or the previous year. Funds allocated to expenditure in year N-1 may not exceed 50% of the total amount issued during the year.

The green eligible expenditure portfolio is bigger than the amount of green OAT issuances each year to ensure that the balance of tracked net proceeds matches allocations to eligible expenditure and facilitate reallocation if needed. For example, in case of expenditure postponement, cancellation or ineligibility, the no-longer eligible expenditure will be replaced by a new green eligible expenditure within twelve months.

This framework document comes into force on 16 May 2025. AFT may also tap its outstanding green OATs¹⁰ on the date of publication of this framework document according to market demand. The increase of a bond is immediately fungible with the previously issued outstanding bond. However, in terms of management of proceeds a tap is treated like a new issuance. As a result, funds raised as of the date of entry into force will be treated according to the rules of this framework document, with the exception of expenditure related to nuclear energy (see box below). To facilitate the transition, a detailed mapping of the green categories of the 2017 framework document to those of the current framework document is provided in Annex 2.

MANAGEMENT OF NUCLEAR ENERGY EXPENDITURE

Expenditure related to nuclear energy (safety, research and development or production capacity) may only be allocated to funds raised by green OATs which inaugural issuance occurs after 2025. No nuclear-related expenditure will be allocated to funds raised by auction or syndication of the four OATs issued before 2026¹⁰Erreur ! Signet non défini.

Lastly, as specified in section 2.1, expenditure related to nuclear energy will comply with the technical examination criteria defined in Annex I of the Supplementary Delegated Regulation on Climate of the EU Taxonomy relating to the following economic activities: 4.26 Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle; 4.27 Construction and safe operation of new nuclear power plants, for the generation of electricity or heat, including for hydrogen production, using best-available technologies; 4.28 Electricity generation from nuclear energy in existing installations.

¹⁰ OAT 1.75% 25 June 2039; OAT 0.5% 25 June 2044; OAT€i 0.1% 25 July 2038; OAT 3.00% 25 June 2049

2.4 Reporting

a. Allocation and performance report

Each year and until the end of the green OAT issuance programme, AFT will produce a report on the allocation of funds raised via green OAT issuance to green eligible expenditure and on the environmental performance of such expenditure.

The annual report shall include at least:

- (i) A report on France's environmental commitments and assessment of related public policies;
- (ii) A follow-up on green eligible expenditure disbursed and funds raised through auctions or syndications over the past year and since the programme was established;
- (iii) Quantitative performance indicators, updated annually, to monitor the environmental impact of expenditure. In particular,
 - a. Where applicable, impact indicators from the "Harmonised Framework for Impact Reporting" document published by the ICMA;
 - b. The percentage of eligibility and alignment with the criteria of the EU Taxonomy regulation of expenditure allocated to annual green OAT issuances;
- (iv) Qualitative case studies.

The monitoring of disbursed amounts and associated environmental performance indicators is based exclusively on the State's existing procedures for monitoring expenditure and performance indicators, which ensures a level of reliability equivalent to that of the rest of the State's budget.

The State's expenditure performance indicators, together with the environmental monitoring indicators published by public bodies, enable the performance of expenditure to be measured line by line against the environmental objectives pursued. These indicators are updated annually. The methodologies relating to each of the indicators are published in the budget documentation for the Budget Acts published on the Budget Directorate website.

The following table provides an indicative list¹¹ of indicators that may be included in the allocation and performance report to measure the impact of the expenditure allocated to the funds raised through green OAT issuance.

Figure 5 - Example of indicators followed to measure environmental impact of public expenditure allocated to green OAT issuance

GREEN SECTOR	IMPACT INDICATORS
Sustainable buildings	<u>Measuring the impact of public spending on improving and adapting private housing to climate change</u> <ul style="list-style-type: none"> Number of people benefiting from renovation-related tax incentives (number/year) Number of housings renovated (number/year) Number of housings renovated from « thermal sink » status owing to public subsidies (number/year)
	<u>Measuring the impact of public spending on the energy transition objective of the State's property policy</u> <ul style="list-style-type: none"> Energy savings from thermal renovation projects (kWh) Surface occupied (gross floor area) Energy efficiency of the project financed – Cost of kWh saved¹² (€/kWh)
Sustainable transport and infrastructure	<u>Measuring the impact of public spending to support private individuals in switching to sustainable mobility</u> <ul style="list-style-type: none"> Share of modal public passenger transport in domestic land transport (%) Number of public subsidies granted for buying electrical vehicles (number/year)

¹¹ Other indicators may be added or replaced if they are considered useful for reporting on the achievement of environmental objectives.

¹² Cost in € per kWh saved = Total € invested in projects / volume of kWh saved

GREEN SECTOR	IMPACT INDICATORS
	<ul style="list-style-type: none"> • Number of EV charging facilities installed in residential premises (number/year) • Average CO2 emissions of new vehicles (gCO₂/km) <p><u>Measuring the impact of public spending on modal shift</u></p> <ul style="list-style-type: none"> • Share of rail and inland waterway freight transport in inland transport (%) • River network availability rate¹³ (%) <p><u>Measuring the impact of public spending on innovation in sustainable transport</u></p> <ul style="list-style-type: none"> • Leverage effect¹⁴ of public subsidies for projects linked to the development of vehicles of the future
Low-carbon energy generation, transmission and storage	<p><u>Measuring the impact of public spending on decarbonising the energy mix</u></p> <ul style="list-style-type: none"> • Efficiency of the Renewable Heat Fund of the French Agency for Ecological Transition (euro/MWh) • Share of renewable energy in electricity production¹⁵ (%) • Installed photovoltaic, offshore wind and onshore wind capacity (MWh) • Share of renewable energy in gas consumption¹⁶ (%) • Proportion of funds raised via green OATs related to nuclear energy (including research and plant safety) (%) <p><u>Measuring the impact of public spending on research to develop low-carbon energies</u></p> <ul style="list-style-type: none"> • Number of patents filed by researchers from French research operators in the field of new energy technologies (number/year) • Number of international publications per researcher linked to funded research operators (number/year) <p><u>Measuring the impact of public spending on optimising energy consumption through infrastructure efficiency</u></p> <ul style="list-style-type: none"> • Cumulative number of premises (households and businesses) eligible for FttH¹⁷ in year N in the public initiative zone throughout France (million)
Sustainable use of resources and environmental protection	<p><u>Measuring the impact of public spending on the rational use of land to meet environmental objectives in terms of soil pollution and respect for biodiversity</u></p> <ul style="list-style-type: none"> • Percentage of surface area of community forests managed (%) • Number of organic farm businesses benefiting from the tax credit (number/year) • Percentage of area under organic farming (%) <p><u>Measuring the impact of public spending on protecting and restoring biodiversity in France</u></p> <ul style="list-style-type: none"> • Percentage of national territory under strong protection (nature reserves, protected areas, biological reserves) (%) • Percentage of national territory covered by a protected area (%) • Surface area of wasteland recycled (hectare) • Volume of water in good condition for the biological parameters' invertebrates and ammonium¹⁸ (%) <p><u>Measuring the impact of public spending to reduce pressure on resources</u></p> <ul style="list-style-type: none"> • Tonnage of non-hazardous and non-inert waste diverted from landfill for recycling and recovery (kt/year)
Sustainable development of the territory	<p><u>Measuring the impact of public spending on adapting urban areas to climate change</u></p> <ul style="list-style-type: none"> • Number of adaptation projects funded and local authorities benefiting (number/year) • Percentage of areas at significant risk of flooding covered by a flood prevention public action programme (%)

¹³ The indicator relates the number of days available for navigation to the number of days of scheduled opening, excluding public holidays and non-operation decided by the operator *Voies Navigables de France*. It therefore measures closures due to weather conditions, repairs to structures, detection of malfunctions or when works increase the duration of non-operation.

¹⁴ Ratio of public and private co-financing to total amounts contracted via the calls for projects concerned

¹⁵ The indicator does not allow for climate correction and is therefore sensitive to annual climatic variations. In particular, electricity production from renewable energy sources is highly variable from one year to the next, depending on weather conditions: rainfall (hydroelectricity), sunshine (PV) and wind conditions (wind).

In addition, the indicator is also very sensitive to unforeseen events in other sectors, particularly nuclear power, where availability has a significant impact on total production. Finally, the data for thermal renewable energies and hydroelectricity are restated to take into account the fact that a fraction of the electricity produced is non-renewable (non-renewable fraction of biomass and fraction of hydroelectricity from pumping).

¹⁶ The indicator is based on data collected by natural gas network operators for metering devices installed at the injection points of biomethane production facilities. Forecasts are based on signed purchase obligation contracts and forecasts of future signings.

¹⁷ Fibre to the Home - technology that brings fibre to the home. Fibre uses less energy than copper and therefore emits less CO₂. According to the French regulatory authority for electronic communications, post and press distribution, copper access networks will consume an average of around 35 kWh per subscriber in 2020, compared to less than 10 kWh for fibre networks.

¹⁸ Monitoring data is collected by the water agencies as part of the implementation of the monitoring requirements of the European Water Framework Directive (WFD).

GREEN SECTOR	IMPACT INDICATORS
	<ul style="list-style-type: none"> Leverage effect¹⁴ of public subsidies for projects linked to the adaptation of urban area to climate change <p><u>Measuring the impact of public spending on reducing air pollution</u></p> <ul style="list-style-type: none"> Annual emissions of atmospheric pollutants (Nox, NH3, COVnm, PM2,5) (kt)
Research, innovation and sustainable industry	<p><u>Measuring the impact of public spending on research works on the six environmental objectives</u></p> <ul style="list-style-type: none"> Number of international publications per researcher linked to funded research operators (number/year) <p><u>Measuring the impact of public spending on innovation in sustainable industry</u></p> <ul style="list-style-type: none"> Leverage effect¹⁴ of public fundings of France 2030 calls for projects
Official development assistance	<p><u>Measuring the impact of public spending on official development assistance aimed at implementing the Sustainable Development Goals</u></p> <ul style="list-style-type: none"> Percentage of Green Fund aid directed towards the Least Developed Countries and Sub-Saharan Africa (%) Share of subsidised resources from multilateral funds allocated to climate objectives (%) Share of bilateral credits for climate, adaptation and mitigation (Rio markers) (%) Share of European Development Fund payments for climate change adaptation and mitigation (Rio markers) (%)

Allocation and performance reports are published on AFT's website.

b. Evaluation reports

France has also opted for an in-depth assessment of the environmental impact of green eligible expenditure.

To this end, the Evaluation Council has been mandated to produce an independent opinion on:

- ad hoc* reports conducted by a team of experts
- Evaluation reports produced elsewhere on the expenditure in question, the methodology of which complies with the terms of reference defined by the Evaluation Council.

The reports published concern one or more line of expenditure and analyse the environmental impact of the expenditure on the basis of counterfactual scenarios, particularly with regard to the environmental objectives pursued.

The Evaluation Council is responsible for ensuring the quality of these evaluations, whose opinions can help to steer funding towards more efficient public spending.

In this way, the green OAT issuance programme contributes directly to the process of evaluating the performance of public spending.

c. Additional reports linked to European regulations Taxonomy and EUGBS

AFT carries out a detailed mapping of environmental and social laws and regulations, as well as internal processes, to meet the requirements of the Do No Significant Harm (DNSH) approach and the Minimum Social Safeguards (MSS) in accordance with the various Delegated Acts of the EU Taxonomy Regulation, where relevant and feasible.

In order to increase transparency on the alignment of green eligible expenditure, AFT has chosen to publish this document on its website, which provides an overview of the main environmental policies and regulations in force. It also confirms that the framework is in line with internationally recognised guidelines such as the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, etc.

As this overview will, by definition, evolve in line with legislative and regulatory changes, it will be updated on an annual basis.

Furthermore, AFT may provide pre-issuance and/or post-issuance disclosures according to the voluntary common templates of the European Green Bond Standard (EuGBS) Regulation.

PART 3 – External reviews

3.1 Second-party opinion

AFT commissioned an external review of the overall alignment of this issuance framework with the 2021 version of the Green Bond Principles administrated by ICMA¹⁹. The resulting opinion is published on AFT's website.

3.2 External reviewer

Every year, AFT commissions an external auditor to review the internal monitoring and allocation of the funds raised from the proceeds of green OAT issuances and the eligibility of the related green expenditure.

The external review, in the form of Limited Assurance, will be published together with the allocation and performance report on the AFT's website.

¹⁹ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

ANNEXES

ANNEX 1. Matching security prices and green eligible expenditure

This annex specifies the principles used to calculate the amounts to be allocated to green eligible expenditure when issuing green OATs.

Components of the price of the securities

The green securities under this framework document are fungible securities (obligations assimilables du Trésor or OATs). They are negotiable securities said to be fungible, which means they can be supplemented over time by further issues with the same coupon and maturity. Some OATs are inflation-linked: the nominal value to be paid on redemption is protected against inflation through an adjustment based either on the French or on the euro-area consumer price index²⁰, depending on the security. The capital of these securities is adjusted every day and the interest paid on these securities is therefore also indexed

Premiums and discounts

Securities issues give rise to the collection by the issuer, over and above the capital raised, of premiums or discounts, depending on whether the coupon rate of the securities is higher or lower than the market rate at the time of issue. These issue premiums and discounts, which are cash, compensate for the difference, over the life of the security, between the amounts of the coupons paid and those that would have been paid in the case of an issue, should the coupon rate exactly equal the market rate.

In the government's balance sheet, the premium is recorded as a deferred income under non-financial liabilities; the discount is recorded as a deferred expense under current assets. In the income statement, the amortisation of the premium stock and the amortisation of discounts are included in depreciation, amortisation and impairment charges net of assumptions.

The « inflation supplement »

In case of an inflation-linked bond, the price of the security at issue includes, in addition to the nominal amount and a possible premium or discount, an inflation supplement reflecting the adjustment of the nominal amount issued since the dated date²¹ of the security.

When the security matures, the government repays the principal plus the indexation to date, so that an indexation supplement is paid at maturity. Although no movement related to the capital indexation supplement occurs in cash accounting between issuance and redemption, Parliament decided to make a provision for the capital indexation in each year budget²². On reimbursement date, this provision equals the indexation eventually paid to the bond-holder minus the inflation supplement collected at the time of issue.

²⁰ All items excluding tobacco.

²¹ The dated date of an OAT does not refer to the date of issue of the security but to the starting date of calculation of the first coupon to be paid on this OAT, i.e. the coupon due date preceding the first issue of this OAT. For example, for an OAT issued for the first time on 1st April of year N with a maturity date of 25 May N+10, the dated date is 25 May N-1.

²² This practice was introduced by Article 125 of the Finance Act 99-1172 of 30 December 1999 for 2000

Principles for allocating green eligible expenditure

Premiums and discounts are not backed by green eligible expenditure

In the case of a green OAT issuance, premiums and discounts, which constitute a deferred element of the investor's annual remuneration²³, are not included in the allocation process. Indeed, this would result in a form of double counting, both in terms of capital and related interest.

In the case of index-linked securities, the inflation supplement received is allocated to green eligible expenditure

Considering that the supplement received is deducted of the indexation provision calculus, it could be seen as an earmarked resource. However, this characterisation is not explicit in public accounting terms. Therefore, the question of whether or not it should be allocated to green eligible expenditure is not clear from the accounting analysis.

Against this backdrop, the choice is the one of the greater environmental integrity of the security. Considering this indexation supplement is not directly part of the investor's annual remuneration, it can be seen considered as nominal. In line with the Green Bond Principles published by ICMA, the decision was taken to include it in the allocation of green eligible expenditure, along with the nominal amount issued.

To sum up:

- Should the bond be a non-indexed green OAT, the allocation would be based on the nominal amount outstanding
- Should the bond be an inflation-indexed green OAT, the allocation would be based on the nominal amount of each tap, adjusted by the inflation accrued between the dated date and the delivery date of the security, and determined on the basis of the daily indexation reference²⁴.

²³ Thus, a premium (discount) is offset by a higher (lower) annual budgetary interest charge than for an issue at market-price.

²⁴ In both cases, this excludes, in addition to premiums and discounts, the accrued coupon – which, just like them, is part of the investor's remuneration.

ANNEX 2. Mapping of eligible green sectors from the 2017 framework to the 2025 framework

GREEN CATEGORY – 2017 FRAMEWORK	GREEN CATEGORY – 2025 FRAMEWORK
Buildings	(1) Sustainable buildings
Transport	(2) Sustainable transports and infrastructures
Energy (incl. smart grid)	(3) Low-carbon energy generation, transmission and storage <i>NB. Activities related to nuclear energy (financing research, innovation in production and safety) are included in the new category.</i>
Living resources	(4) Sustainable use of resources and environmental protection
Adaptation	(5) Sustainable development of the territory <i>for expenditure linked to local authorities to adapt their territory</i> (6) Research, innovation and sustainable industry <i>to expenditure linked to research organisations on climate change</i> (7) Official development assistance
Pollution and eco-efficiency	(5) Sustainable development of the territory <i>for expenditure on improving air quality</i> (4) Sustainable use of resources and environmental protection <i>for expenditure related to soil pollution and waste reduction</i>
Transversal	(6) Research, innovation and sustainable industry (7) Official development assistance







ANNEX 3. Alignment of eligible categories with the Sustainable Development Goals

The United Nations (UN) General Assembly has adopted 17 Sustainable Development Goals (SDGs), broken down into 169 targets, for the period 2015-2030. These goals and targets provide a common roadmap for the transition to sustainable development.

There are three main goals: fighting inequality, exclusion and injustice; tackling climate change; and ending extreme poverty.

Following a consultation under the auspices of the French National Council for Statistical Information (CNIS), a scoreboard of 98 indicators was proposed in mid-2018 to provide a national framework for monitoring France's progress towards achieving the 17 SDGs. This scoreboard will be updated and published annually²⁵.

At the same time, France continues to participate in the international reporting of 231 global indicators to UN agencies.



GREEN SECTOR SUSTAINABLE DEVELOPMENT GOALS		
(1) Sustainable buildings		7.3 Double the global rate of improvement in energy efficiency
	 <i>Climate action</i>	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
(2) Sustainable transports and infrastructures		9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all
	 <i>Sustainable cities and communities</i>	11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
(3) Low-carbon energy generation, transmission and storage		7.1 Ensure universal access to affordable, reliable and modern energy services
	 <i>Responsible consumption and production</i>	7.2 Increase substantially the share of renewable energy in the global energy mix 7.3 Double the global rate of improvement in energy efficiency 12.c Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the

²⁵ <https://www.agenda-2030.fr/en/>

GREEN SECTOR SUSTAINABLE DEVELOPMENT GOALS

		possible adverse impacts on their development in a manner that protects the poor and the affected communities
		6.3 Water quality 6.6 Protection and restoration of water-related ecosystems 11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage 12.2 Achieve the sustainable management and efficient use of natural resources 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse 14.1 Prevent and significantly reduce marine pollution 14.2 Sustainably manage and protect marine and coastal ecosystems 14.5 Conservation of coastal and marine areas 15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems 15.2 Promote the implementation of sustainable management of all types of forests 15.3 Achieve a land degradation-neutral world 15.4 ensure the conservation of mountain ecosystems 15.5 Reduce the degradation of natural habitats, halt the loss of biodiversity 15.9 Integrate ecosystem and biodiversity values into national and local planning
(4) Sustainable use of resources and environmental protection	 <i>Clean water and sanitation</i>  <i>Sustainable cities and communities</i>  <i>Responsible consumption and production</i>  <i>Life below water</i>  <i>Life on land</i>	
(5) Sustainable development of the territory	 <i>Sustainable cities and communities</i>  <i>Climate action</i>	11.3 Enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries 11.5 Significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations 11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 11.a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning 11b Substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and

GREEN SECTOR SUSTAINABLE DEVELOPMENT GOALS

		develop and implement, holistic disaster risk management at all levels
		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
(6) Research, innovation and sustainable industry	 <i>Affordable and clean energy</i>  <i>Industry, innovation and infrastructure</i>	<p>7a Enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology</p> <p>9.2 Promote inclusive and sustainable industrialization and significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries</p> <p>9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending</p>
(7) Official development assistance	 <i>Clean water and sanitation</i>  <i>Affordable and clean energy</i>  <i>Industry, innovation and infrastructure</i>  <i>Sustainable cities and communities</i>  <i>Partnerships for the goals</i>	<p>6.a Coopération et renforcement de capacités</p> <p>7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support</p> <p>9.a Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States</p> <p>11c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials</p> <p>12.a Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production</p> <p>17.2 Official development assistance</p> <p>17.3 Mobilize additional financial resources</p> <p>17.5 Adopt and implement investment promotion regimes for least developed countries</p>

AFT in brief

Agence France Trésor is part of the Directorate General of the Treasury and reports to the ministry in charge of economy and finance. It is an agency with national scope whose mission is to manage the State's debt and cash in the best interest of the taxpayer and in the best possible conditions of security

Managing the State's cash requirements

Agence France Trésor (AFT) manages the State's cash requirements so that it can meet its financial commitments at all times, whatever the circumstances.

Managing the State's debt

AFT is tasked with managing debt in the taxpayer's best interest. Its strategy takes a long-term view, while tracking the market closely. This strategy promotes liquidity across the full range of AFT's debt securities, while maintaining full transparency and a commitment to combining innovation and security.

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