



**BNP PARIBAS**

# **BNP PARIBAS**

## **GREEN BOND FRAMEWORK**

September 2020



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## DISCLAIMER AND RISK FACTORS

This document (the **Green Bond Framework**) is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by BNP Paribas and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by BNP Paribas as to the fairness, accuracy, reasonableness or completeness of such information.

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Any:

- i) failure to apply the proceeds of any issue of Green Bonds to any Eligible Green Assets;
- ii) withdrawal of any opinion or certification or any opinion or certification being superseded by an opinion or certification stating that BNP Paribas has not complied, in whole or in part, with any matters on which the original opinion or certification had opined or certified; and/or
- iii) event or circumstances resulting in the Green Bonds no longer being listed or admitted to trading on any stock exchange or securities market,

may have a material adverse effect on the value of Green Bonds and the value of any other securities which are intended to finance Eligible Green Assets and could also result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

## INVESTMENT CONSIDERATIONS

No assurance is given by BNP Paribas that the use of such proceeds for any Eligible Green Assets will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws, investment policy or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Assets.

Furthermore, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green", "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be considered "green" or "sustainable" or falling under such other equivalent label, nor can any assurance be given that such a clear definition or consensus will develop over time.

Initiatives have been taken including by the European Commission to define a "taxonomy" for green bond i.e. a systematic classification and definition of qualifying items. In this regard it should be noted that in March 2020 the Technical Expert Group on sustainable finance (**TEG**) set up by the European Commission (**EC**) published (i) its Final report of the Technical Expert Group on Sustainable Finance for the EU Taxonomy (**TEG Taxonomy report**), setting out the TEG's final recommendations for the EC and (ii) a proposed draft model linking the use-of-proceeds of EU Green Bonds to the EU Taxonomy Regulation (still being drafted), which set up a classification system for environmentally sustainable economic activities. Under the future EU Taxonomy Regulation, for an economic activity to be considered environmentally sustainable it has to (i) substantially contribute to one of the six environmental objectives determined under the EU Taxonomy Regulation, (ii) do no significant harm any of the other environmental objectives, (iii) be carried out in compliance with minimum safeguards and (iv) comply with technical screening criteria (link to the document : EU Green bond standard - Usability Guide). However no assurance or representation is given by BNP Paribas as to the suitability or reliability for any purpose whatsoever of the EU Green Bond Standard Usability Guide.

These initiatives are still on-going and no date can be given as to when they would adopt a guidance or rule which will apply across the green bond market and users. Accordingly, no assurance is or can be given to investors that any projects or uses which are the subject of, or related to, any Eligible Green Assets will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses, which are the subject of, or related to, any Eligible Green Assets.

No assurance or representation is given by BNP Paribas as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third parties (whether or not solicited by BNP Paribas) which may be made available in connection with the issue and offering of any Green

Bonds and in particular with the extent to which Eligible Green Assets may fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of the Green Bond Framework. Any such opinion or certification is not, nor should be deemed to be, a recommendation by BNP Paribas and its affiliates or any other person to buy, sell or hold any Green Bonds. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Green Bonds. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any Green Bonds are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other similarly labelled segment of any stock exchange or securities market (whether or not a regulated market for the purpose of the Markets in Financial Instruments Directive 2014/65/EU), or are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no representation or assurance is given by BNP Paribas or any other person that such listing or admission, or inclusion in such index, satisfies whether, in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any climate projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another and that the criteria for inclusion in such index may vary from one index to another. No representation or assurance given or made by BNP Paribas or any other person that any such listing or admission to trading, or inclusion in any such index, will be obtained in respect of Green Bonds or, if obtained, that any such listing or admission to trading, or inclusion in such index, will be maintained during the life of Green Bonds. Additionally, no representation or assurance is given by BNP Paribas or any other person as to the suitability of the Green Bonds to fulfil environmental and sustainability criteria required by prospective investors. BNP Paribas is not responsible for any third party assessment of the Green Bonds.

While it is the intention of BNP Paribas to apply the proceeds of any Green Bonds to Eligible Green Assets in, or substantially in, the manner described in the applicable Final Terms and in the Green Bond Framework, there can be no assurance that the relevant project(s) or use(s) which are the subject of, or related to, any Eligible Green Assets will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly there can be no assurance that such proceeds will be totally or partially disbursed for such Eligible Green Assets. There can be no assurance that such Eligible Green Assets will be completed within

any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by BNPP.

Any such event or failure by BNP Paribas to apply the proceeds as intended will not constitute an event of default (however defined) under the Green Bonds.

## INTRODUCTION

BNP Paribas recognises that the world is at a tipping point on sustainability. Global warming as well as resource scarcity are likely to challenge current economic models in the coming decades.

Today there is broad scientific and political consensus that the current trajectory in CO<sub>2</sub> emissions must be curbed if we are to restrict global warming to a 2°C increase over pre-industrial levels. To further intensify its efforts in this area, BNP Paribas is committed to supporting the development of renewable energies by more than doubling its financing resources allocated to this sector<sup>1</sup>.

*“Contributing to a better future means supporting important projects for the future. It also means putting in place strict rules so that we don’t finance activity having a negative impact on the environment, public health or human rights.”*<sup>2</sup> **Jean-Laurent Bonnafé, CEO of BNP Paribas, 2020.**

BNP Paribas has a long standing commitment to sustainability. Since 2010, we have integrated Environmental, Social and Governance (“ESG”) factors into our risk framework for all our financing and investments across the Group. We have specific Corporate Social Responsibility (“CSR”) policies for eight sensitive sectors applying to all products and services and have integrated ESG assessment into our risk policies and monitoring tools for large corporate clients. In testimony of this commitment to sustainability, BNP Paribas holds robust ratings with numerous extra-financial rating agencies<sup>3</sup>.

**BNP Paribas Group is committed** to advising and financing corporations in building resilient and sustainable business models and in particular through the Bank’s financing of assets and projects with a positive and measurable impact on the environment.

**In addition, BNP Paribas is committed to meeting the requirements** of institutional investors for green debt securities which demonstrate a positive impact on the environment.

By setting up a Green Bond Framework, **BNP Paribas aims at mobilizing debt capital markets** for climate change and energy transition solutions in line with the Green Bond Principles published by the International Capital Market Association, **and at offering investors further insight on BNP Paribas’ sustainability strategy** in line with its commitments. This Green Bond Framework has been updated to reflect developments in the best practice of the Green Bond Market. BNP Paribas intends to update the Green Bond Framework periodically.

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<sup>1</sup> Please see press-release <http://www.bnpparibas.com.sg/en/2015/11/20/bnp-paribas-dedicates-e15bn-in-financing-for-renewable-energy-and-reinforces-its-carbon-risk-management-policies/>

<sup>2</sup> Please see article <https://group.bnpparibas/en/hottopics/climate-actions/briefing>

<sup>3</sup> Please refer to the latest CSR presentations of BNP Paribas for an updated presentation of the extra-financing ratings and associated indexes. <https://invest.bnpparibas.com/en/latest-csr-presentations>

## ELIGIBLE CATEGORIES

In accordance with BNP Paribas Group’s policy to contribute to energy transition solutions and in line with the Green Bond Principles, BNP Paribas has identified sectors with a positive impact on the environment for the Green Bond Framework (the **Eligible Categories**).

Within the Eligible Categories, BNP Paribas has identified Eligible Green Assets based on its comprehensive Environmental, Social and Governance risk management framework<sup>4</sup> which provides rigorous and appropriate filters<sup>5</sup>.

The Eligible Categories include economic activities which contribute to one or more of the six EU environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a Circular economy, waste prevention and recycling
5. Pollution prevention and control
6. Protection of healthy ecosystems

These Eligible Categories are as follows:

Eligible Categories <sup>6</sup>	Description	Environmental Objective
<p><b>Renewable Energy</b></p>  	<p>The Paris Agreement on Climate Change aims to limit any rise in global temperature this century to below 2°C. This will require a progressive phase out of fossil fuels, and in this context, Renewable Energies will play an instrumental role in the transition to a low-carbon economy.</p> <p>Assets related to the acquisition, development, manufacturing, construction and operation of renewable energies such as:</p> <ul style="list-style-type: none"> <li>• Offshore and Onshore Wind;</li> <li>• Concentrated Solar Power (“CSP”);</li> <li>• Solar Photovoltaic (“Solar PV”);</li> <li>• Hydropower projects upon condition (limited to small run of river plants or in connection with the upgrade of existing assets in temperate zones and subject to a careful review by and the scrutiny of BNP Paribas CSR teams);</li> <li>• Bioenergy and geothermal projects;</li> <li>• Transmission assets dedicated to connecting renewable energy production assets to the grid, and</li> <li>• Equipment manufacturer for Renewable Energies.</li> </ul>	<p><b>Climate change mitigation</b></p>

<sup>4</sup> Please see “Commitment 3: Systematic integration and management of environmental, social and governance risks” in Chapter 7 of the Registration document:  
[https://invest.bnpparibas.com/sites/default/files/documents/bnp\\_paribas\\_2019\\_urd\\_fr\\_0.pdf](https://invest.bnpparibas.com/sites/default/files/documents/bnp_paribas_2019_urd_fr_0.pdf)

<sup>5</sup> Please see ‘Selection of Assets’ section and Appendix for further details

<sup>6</sup> Please see ‘Green, Social & Sustainability Bonds: A high-level mapping to the sustainable development goals’  
<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds06-2019-100619.pdf>

<p><b>Energy Efficiency</b></p>  	<p>Energy efficiency has a vital role in steadying and reducing greenhouse gas emissions. According to the International Energy Agency, the main factor behind Greenhouse Gas (“GHG”) emissions reduction is the energy intensity decrease, driven largely by energy efficiency improvements. BNP Paribas has undertaken to significantly increase its action in this sector, by following the “Financial Institutions’ Declaration of Intent on Energy Efficiency” (developed by the European Bank for Reconstruction and Development (EBRD) and United Nations Environment Programme Finance Initiative (UNEP-FI)) signed in 2015.</p> <p>The Eligible Green Assets may include assets related to energy efficiency such as:</p> <ul style="list-style-type: none"> <li>• Improved infrastructure (e.g. LED street lighting); and</li> <li>• Smart grid investments for more efficient transmission and distribution of energy;</li> <li>• Manufacturing facilities for Energy Storage System(ESS)</li> </ul>	<p><b>Climate change mitigation and adaptation</b></p>
<p><b>Green Buildings</b></p> 	<p>Real estate class is complex per se, with many direct and indirect impacts across a wide range of environmental issue. One can define green building assets as a building that, in its design, construction or operation, reduces or eliminates negative impacts, and ideally generates positive impacts on climate and environment. Green buildings not only play a key role in preserving natural resources but on improving quality of life.</p> <p>The Eligible Green Assets may include assets related to Green Buildings such as:</p> <ul style="list-style-type: none"> <li>• Green buildings with environmental certification such as LEED (Leadership in Energy and Environmental Design) with a Minimum of “Gold”, BREEAM (Building Research Establishment Environmental Assessment Method) with a Minimum of “very good” and in compliance with appropriate regulations;</li> <li>• Retrofit commercial and public buildings (e.g. insulation of walls and roofs, LED lighting, replacement of boilers, implement energy management systems, refurbishment of heating, ventilation and air conditioning systems);</li> </ul>	<p><b>Climate change mitigation</b></p>
<p><b>Transportation</b></p> 	<p>Transport accounts for about 60% of global oil consumption and 23% of world CO2 emissions. At the same time the transport sector is essential both from a social and economic standpoint. Lowering the carbon footprint whilst developing a more efficient transport system is therefore crucial.</p> <p>The Eligible Green Assets may include assets related to:</p> <ul style="list-style-type: none"> <li>• Energy efficient public transport (eg. convert public bus fleets to alternative fuels: electric, biofuel, hybrid; subways and electric bus fleets);</li> <li>• Development, operation and upgrade of rail transport for both passengers and goods;</li> <li>• Transportation infrastructure (expansion of train/metro networks, projects in relation to capacity improvement, station upgrade);</li> <li>• Non-diesel rolling stock (replacement of rolling stock);</li> <li>• Electric cars; and</li> <li>• Green shipping (eg. Liquidified Natural Gas (LNG-) fuelled ships. Scrubbers are explicitly excluded as well as ships transporting fossil fuels).</li> </ul> <p>For clarification purposes aviation is not part of the scope of Eligible Green Assets</p>	<p><b>Climate change mitigation and adaptation</b></p>

<p><b>Water Management and Water Treatment</b></p>  	<p>A 40%<sup>7</sup> global water shortfall is predicted by 2030, and water demand is expected to more than double in the next fifteen years. According to the United Nations<sup>8</sup>, water scarcity is among the main problems of the 21st century.</p> <p>The Eligible Green Assets may include assets related to water management and water treatment such as:</p> <ul style="list-style-type: none"> <li>• Development, operation, distribution and upgrade of water treatment plant (e.g. digital water metering, smart control center);</li> <li>• Water use minimization;</li> <li>• Leakage prevention; and</li> <li>• Other water related projects including irrigation and wastewater.</li> </ul>	<p><b>Climate change mitigation and adaptation</b></p>
<p><b>Pollution prevention and control</b></p>  	<p>With population and urbanisation growing rapidly, so is the volume of solid urban waste. Today, the OECD countries produce almost half of the world's urban waste, but levels will further increase with rapid urbanisation in Africa and Asia. Waste management and recycling in particular will therefore become critical.</p> <p>The Eligible Green Assets may include assets related to:</p> <ul style="list-style-type: none"> <li>• The development, operation and upgrade of recycling and waste-to-energy power plants;</li> <li>• Recycling activities for instance for metals, plastic and paper.</li> </ul>	<p><b>Transition to Circular Economy</b></p>

## High sensitivity sectors excluded

For clarification purposes, the following sectors<sup>9</sup> are excluded from the Green Bond Framework: defence and security, palm oil, wood pulp, nuclear power generation, coal-fired power generation, unconventional oil & gas, mining and tobacco.

## SELECTION OF ASSETS

### a. Identification of the Eligible Green Assets

The Eligible Green Assets are sourced from the various Eligible Categories and are selected following the application of the Eligibility Criteria.

This identification and selection is a two-step process which encompasses internal screening selection and external review by third parties. The internal screening selection aims at assuring that the related impacts linked to eligible projects are identified and the opportunities are fostered. This includes sustainability criteria tackling Social, Environmental, Health and Safety and Supply Chain indicators.

<sup>7</sup> World Bank 2016 report *High and Dry, Climate Change, Water and the Economy*

<sup>8</sup> <http://www.un.org/waterforlifedecade/scarcity.shtml>

<sup>9</sup> Please see Appendix. Further details on the policy of BNP Paribas for those sectors can also be found on BNP Paribas website <https://group.bnpparibas/en/financing-investment-policies>

Any existing, on-going and/or future loans or any other form of financing could be considered for the Eligible Green Assets.

## SCREENING & SELECTION

In the process of identifying the Eligible Green Assets, BNP Paribas assesses the potential environmental, social or governance risks in line with its framework for managing ESG risks, including specific ESG risk assessment tools and the Equator Principles (please see Appendix)

## VALIDATION Green Bond Committee

## ELIGIBLE GREEN ASSETS

### RENEWABLE ENERGIES

### ENERGY EFFICIENCY

### GREEN BUILDINGS

### TRANSPORTATION

### WATER MANAGEMENT & WATER TREATMENT

### POLLUTION, PREVENTION & CONTROL

#### Common Risk Considerations

Human rights • Pollution • Workforce Health and Safety • Social condition of the Workforce • Governance

#### Specific Risk Considerations

- Impact on communities, including health and safety, consultation process and resettlements
- Water use
- Protection of sensitive areas (critical habitats; cultural heritage)
- Industrial safety

- Impact on communities, including health and safety and consultation process
- Environmental certifications
- Waste Management

- Impact on communities including health and safety, consultation process
- Water consumption
- Materials procurement
- Operation safety
- Green building certifications

- Impact on communities, including health and safety, consultation process
- Protection of sensitive areas
- Passenger and client safety

- Impact on communities, including health and safety
- Water scarcity

- Industrial safety

## **b. Further features of the Eligible Green Assets**

In addition to the previously detailed identification process of BNP Paribas highlighted above, further screening is applied to exclude:

- Non-committed transactions;
- Loans on watchlists; and
- Assets pledged to other green financing programmes.

Recognizing that the Green Bond Principles and best practices are evolving, BNP Paribas would always consider the appropriate selection criteria at the time of any Green Bond issuance and will seek to be in line with the best market practices.

## **MANAGEMENT OF PROCEEDS**

### **a. A single common pool of Eligible Green Assets**

BNP Paribas intends to accrue over time a single common pool of diversified Eligible Green Assets from the various Eligible Sectors subject to internal selection (as per the section 'Selection of Assets') and verification by appropriate independent third parties. This single common pool of Eligible Green Assets will represent all Green Bond issues under the Green Bond Framework. Ultimately Eligible Green Assets may be diversified to stem from the various Eligible Sectors that will be added to BNP Paribas' single common pool of Eligible Green Assets.

BNP Paribas monitors the use of the net proceeds of the Securities via its internal information systems.

BNP Paribas will use its best efforts to substitute any redeemed loans or any other form of financing that are no longer financed or refinanced by the net proceeds and/or if any such loans or any other form of financing cease to be an Eligible Green Asset, as soon as practicable once an appropriate substitution option has been identified, as long as Green Bond issues are outstanding.

### **b. Unallocated proceeds**

Pending the allocation or reallocation, as the case may be, of the net proceeds of the Securities to Eligible Green Assets, BNP Paribas will invest the balance of the net proceeds, at its own discretion, cash and/or cash equivalent and/or other liquid marketable instruments.

## GOVERNANCE

As an integral part of its governance for Green Bonds, BNP Paribas has set up a Green Bond Committee, bringing together various departments within the bank to supervise the issuance of the Green Bonds, the selection and monitoring of the pool of the Eligible Green Assets and to ensure the compliance of the Green Bonds with best practices.

More specifically, the role of the Green Bond Committee is:

- i) To review and validate the pool of Eligible Green Assets;
- ii) To validate the annual reporting for investors;
- iii) To review the appropriate external independent auditors' report and address any issues arising; and
- iv) To monitor any on-going evolution related to Green Bond market practices in terms of disclosure/reporting, harmonization.

The Green Bond Committee meets on a semi-annual basis and is chaired by the Head of Corporate Social Responsibility for BNP Paribas.

Members of the Green Bond Committee includes the following departments:

Relevant business lines: responsible for providing agreed information on the Eligible Green Assets, communicating the events that may occur on the Eligible Green Assets at deal level or on counterparties (i.e. early termination, extension...) and assisting in the selection of assets within the Eligible Sectors.

Corporate Social Responsibility teams: responsible for liaising with external third parties, including independent second party opinion providers and the appropriate external independent auditors, managing any potential controversies, for assisting in the screening of Eligible Green Assets and Eligible Sectors and preparing the reporting for investors. In his/her role as Chairman of the Green Bond Committee, the Head of CSR for BNP Paribas will have the final decision on the selection of the Eligible Green Assets, in particular in relation to assets in countries with significant risk level.

Asset and Liability Management Treasury teams: in charge of

- i) Raising BNP Paribas Group wholesale funding on all maturities, in all currencies;
- ii) Providing a standard loan database to monitor the pool of Eligible Green Assets, to produce an amortization loan maturity schedule, to flag the Eligible Green Assets in the relevant internal system for audit trail and reporting purposes and thus preventing any double-financing of the Eligible Green Assets; and
- iii) Investing the balance of the net proceeds of the Green Bonds not yet allocated, at its own discretion, in cash and/or short term investments.

Sustainable Capital Markets: to act as an advisor and update the Green Bond Committee on best practices in relation to the Green Bond market.

Any other teams deemed necessary to be represented may also be included.

## REPORTING

### a. Annual reporting

As long as any Green Bond is outstanding, BNP Paribas will report at least annually on:

- i) The Eligible Green Assets financed or refinanced by the net proceeds and their relevant environmental impact indicators;
- ii) The allocation of the Securities' net proceeds to Eligible Green Assets detailing the aggregate amount dedicated to each of the Eligible Sectors; and
- iii) The balance of unallocated cash and/or cash equivalent and/or other liquid marketable instruments still held by BNP Paribas.

The annual reporting will present the aggregation of the Eligible Green Assets per Eligible Sector and per technology, where applicable, and will be subject to permitted disclosure in accordance with relevant confidentiality agreements and competition issues.

The annual reporting is intended to follow the guidelines of the Green Bond Principles, as amended from time to time, and the reference framework "Harmonized Framework for Impact Reporting" dated June 2019.

In particular, BNP Paribas intends to report on the impact of the Eligible Green Assets where applicable.

In the case of the Renewable Energies Eligible Sector, BNP Paribas has considered the following indicators: annual production and tons of CO<sub>2</sub> emissions equivalent avoided based on the EIB Project Carbon Footprint Methodologies<sup>10</sup>.

For the other Eligible Sectors where the adequate impact measurement is not the tCO<sub>2</sub> emission equivalent avoided, an appropriate indicator will be proposed in line with market best practices and the recommendation of the external third party mandated for the assessment of the Green Bond.

There will be a single annual report for all Green Bond issuances under the Green Bond Framework, and it has been so since the first issuance in 2016.

The annual report will be reviewed and verified by appropriate external independent auditors.

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<sup>10</sup> <http://www.eib.org/about/documents/footprint-methodologies.htm>

## **b. Other documents**

The following documents are expected to be made available to investors on BNP Paribas Investors' website (<https://invest.bnpparibas.com/en/green-bond-issues>):

- Final Terms, pricing supplement, prospectus, offering circular as applicable, of the relevant Green Bond issuances;
- Green Bond Framework, as further updated from time to time;
- BNP Paribas Green Bond Investor Presentation;
- Second Party Opinion on the Green Bond Framework from independent second party opinion provider (term as defined hereafter);
- Second Party Opinion on Green Eligible Assets from independent second party opinion provider (term as defined hereafter);
- Annual assurance report from appropriate external independent auditors; and
- Annual reporting and methodology.

The Second Party Opinion on Green Eligible Assets, the annual assurance report from appropriate external independent auditors and the annual reporting and methodology are all expected to be made available on BNP Paribas' website in the same timely manner.

## **EXTERNAL REVIEW BY THIRD PARTIES**

The Eligibility Criteria will be further reviewed by the external third parties designated by BNP Paribas to assess the sustainability and relevance of the criteria identified and the resulting Eligible Green Assets. External third parties can be, amongst others, independent second party opinion providers, external independent auditors and/or any other third parties deemed to be appropriate as per the Green Bond Principles.

### **a. Second Party Opinion on Green Bond Framework**

BNP Paribas will appoint an independent second party opinion provider to assess the sustainability of its Green Bond Framework and in particular the dual selection criteria (second party opinion provider and BNP Paribas), to provide a Second Party Opinion on its Green Bond Framework and to confirm its alignment with the ICMA Green Bond Principles. The Green Bond Framework and Second Party Opinion are available on BNP Paribas' Investors' website: <https://invest.bnpparibas.com/en/green-bond-issues>. This Second Party Opinion on the Green Bond Framework will be published as and when BNP Paribas Framework is updated.

For the avoidance of doubt, Green Asset Categories not reviewed by an independent second party opinion provider, either in whole or in part, would require an updated version of the Second Party

Opinion on the Green Bond Framework before their insertion in BNP Paribas' single common pool of Eligible Green Assets.

**b. Annual External Review**

- 1. Second Party Opinion on Eligible Green Assets:** On an annual basis, an independent second party opinion provider will provide a verification of the compliance of all the new Eligible Green assets added within the course of the year.
- 2. Independent Assurance Review:** The external independent auditors will provide, on an annual basis, assurance on the allocation of the net proceeds of the Securities to Eligible Green Assets<sup>11</sup>, the conformity of the Eligible Green Assets with the Eligibility Criteria, the relevant impact indicators.

These reports will be available on BNP Paribas' Investors' website:  
<https://invest.bnpparibas.com/en/green-bond-issues>.

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<sup>11</sup> Please see 'Reporting / Annual reporting' section

## APPENDIX - BNP PARIBAS FRAMEWORK IN PLACE FOR MANAGING ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

BNP Paribas framework for managing ESG risks is part of an integrated risk management approach<sup>12</sup>, which has been continually developed and improved since 2010.

This approach is based on:

- The development of Corporate Social Responsibility (CSR) sector policies covering the provision of financial products and services to clients and/or projects in sensitive sectors;
- Compliance with the Equator Principles for large-scale industrial and infrastructure projects;
- The implementation of a specific environmental, social and governance risk assessment tool applied to corporate clients in 10 sectors not covered by CSR sector policies within BNP Paribas CIB;
- An internal CSR Exclusion and Monitoring List with companies that either are in breach of BNP Paribas' commitments or present ESG issues that require particularly careful due diligence and follow up; and
- The integration of ESG due diligence in the Global Credit Policy and in the standard decision-making processes of the Bank.

This framework, in place since 2010, was further strengthened with the following measures<sup>13</sup>:

- Strengthening of its carbon risk management;
- Strengthening respect for human rights;
- Strengthening commitment to combat deforestation and protect biodiversity;
- Exclusion of the tobacco sector;
- Exclusion of companies and projects significantly involved in unconventional oil & gas sectors.
- Aligning the Bank's business strategies with the UN Sustainable Development Goals and the Paris Climate Agreement by signing the Principles for Responsible Banking; in this context, the Bank formalised commitment to SDG 14 "Life below water" and discloses its actions to protect oceans<sup>14</sup>.

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<sup>12</sup> Please see in Chapter 7 of the Registration document

[https://invest.bnpparibas.com/sites/default/files/documents/bnp\\_paribas\\_2019\\_urd\\_fr\\_0.pdf](https://invest.bnpparibas.com/sites/default/files/documents/bnp_paribas_2019_urd_fr_0.pdf)

<sup>13</sup> Please see in Chapter 7 of the Registration document

[https://invest.bnpparibas.com/sites/default/files/documents/bnp\\_paribas\\_2019\\_urd\\_fr\\_0.pdf](https://invest.bnpparibas.com/sites/default/files/documents/bnp_paribas_2019_urd_fr_0.pdf)

<sup>14</sup> Please see Press Release of BNP Paribas reinforcing commitment to UN SDG at New York Climate Week <https://group.bnpparibas/en/press-release/bnp-paribas-reinforces-commitment-sustainable-development-goals-york-climate-week>

### **a. Sector policies**

Some sectors present major ESG challenges and are considered highly sensitive. For these sectors, BNP Paribas has implemented comprehensive policies with clear mandatory requirements and evaluation criteria covering the provision of financial products and services to corporate clients or to projects. Those sector policies allow BNP Paribas to operate in such sectors, while avoiding the worst performers and favouring the best players and companies committed to improving their practices.

- BNP Paribas had eight policies covering the following sectors:

- Defence
- Palm oil
- Wood pulp
- Nuclear power generation
- Coal-fired power generation
- Unconventional oil & gas
- Mining
- Agriculture

Developed in cooperation with internal and external experts, taking into account the opinions of a wide range of different stakeholders, these public policies apply worldwide to all of the BNP Paribas Group's entities and business lines. In 2019, BNP Paribas reviewed 2,340<sup>15</sup> transactions to check their compliance with these policies and other frameworks.

The sector policies are available on our corporate website:

<https://group.bnpparibas/en/financing-investment-policies>

### **b. Equator Principles**

BNP Paribas adopted the Equator Principles (EPs) in 2008. This landmark voluntary initiative from the financial sector is a due diligence framework process applied to certain financing and advisory transactions related to the development of infrastructure and industrial projects (either greenfield or when there is a significant expansion or upgrade of an existing project). Under the EPs, projects need to comply with good international practices (such as the World Bank and International Finance Corporation standards and guidelines in non "High Income OECD" countries), designed to avoid and reduce potential negative impacts on the population and the environment, and to ensure projects are developed in a responsible manner. Compliance with these standards is ensured through specific clauses in the loan documentation, and performance is regularly monitored. 105 financial institutions from 38 countries have adopted the Equator Principles.

The annual report of BNP Paribas on the Equator Principles is publicly available:

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<sup>15</sup> Please see in Chapter 7 of the Registration document  
[https://invest.bnpparibas.com/sites/default/files/documents/bnp\\_paribas\\_2019\\_urd\\_fr\\_0.pdf](https://invest.bnpparibas.com/sites/default/files/documents/bnp_paribas_2019_urd_fr_0.pdf)

[https://group.bnpparibas/uploads/file/reporting\\_on\\_equator\\_principles\\_implementation\\_2018.pdf](https://group.bnpparibas/uploads/file/reporting_on_equator_principles_implementation_2018.pdf)

### **c. Specific ESG risk assessment system for products and services**

#### **✓ Integration of ESG criteria into credit and rating policies**

BNP Paribas is progressively integrating ESG criteria into its specific credit and rating policies. As of end 2019, 22 policies incorporate ESG criteria<sup>16</sup>. In addition to these specific policies, the general credit policy for corporate clients requires the business lines to assess how their clients manage their ESG risks, and how they responded to public controversies.

#### **✓ The assessment of ESG risks for corporate clients**

The ESG risks for CIB corporate clients belonging to sectors not covered by sector policies are assessed using the CSR Screening, a dedicated tool developed within CIB.

Through detailed sector-specific questionnaires, this tool assesses whether companies have policies in place to address the most critical ESG risks associated with their activities. Risks reviewed include pollution and the use of natural resources, health & safety, social condition of the workforce, impact on communities, safety for consumers, business ethics, bribery and corruption. The objective of this analysis is to engage in a dialogue with clients on the management of critical ESG risks and the mitigation of potential impacts.

In 2019, a roll out plan was deployed in order to make the CSR Screening mandatory worldwide.

#### **✓ CSR Monitoring and Exclusion lists**

Through the application of its ESG framework, BNP Paribas identifies companies that do not meet its CSR requirements (such companies are added to the CSR Exclusion list) and companies that present particular ESG risks (such companies are added to the CSR Monitoring list). Companies on the CSR Exclusion list cannot be onboarded and existing client relationships have to be exited. While it is still possible to work with companies on the CSR Monitoring list, they are subject to a specific due diligence process to ensure progress is made against the identified issues, and specific transactions are subject to ad-hoc approval committees. At the end of 2019, 943 companies were on the CSR Exclusion List and 144 companies were on the CSR Monitoring List<sup>17</sup>, compared to 857 and 135 respectively at the end of 2018. This increase results particularly from the continuous implementation of commitments on coal, tobacco, unconventional oil and gas.

BNP Paribas has also implemented a list of excluded goods and activities to which we will not provide any financial products, such as tobacco, controversial weapons drift nets, the production of

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<sup>16</sup> Please see in Chapter 7 of the Registration document

[https://invest.bnpparibas.com/sites/default/files/documents/bnp\\_paribas\\_2019\\_urd\\_fr\\_0.pdf](https://invest.bnpparibas.com/sites/default/files/documents/bnp_paribas_2019_urd_fr_0.pdf)

<sup>17</sup> Please see in Chapter 7 of the Registration document

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asbestos fibres, products containing PCBs, or the trading of any species regulated by the CITES convention.

#### **d. Control plan on the ESG framework implementation**

The implementation of this ESG framework in the various operating entities and geographies of the BNP Paribas Group relies on existing levels of control (such as RISK and Compliance).

In 2019, the Risk function was established as a second line of defence to ensure that extra-financial issues are taken into account in credit decisions.

In order to ensure that ESG risk management tools are strictly applied in all entities, the Group has developed a CSR operational control plan. This control plan is fully integrated into the Group's general operational control framework and is gradually transposed in the various operating entities, with the support of CSR and permanent operational control teams. BNP Paribas is updating this operational control plan to incorporate the new ESG requirements defined by the Group in light of the Duty of Care law.

In addition, the General Inspection of the Bank is conducting periodic reviews of various business lines and coverage teams to ensure compliance with the Group procedures. These reviews also cover the implementation of the ESG framework, as and when applicable.