



BNP PARIBAS GREEN BOND FRAMEWORK

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INTRODUCTION

BNP Paribas recognises that we are 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 CO2 emissions must be curbed before 2020 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 support the development of renewable energies by more than doubling its financing resources allocated to this sector.

“Our decision to more than double our financing in the renewable energy sector and to reinforce our carbon risk management procedures is both an environmental and economic necessity¹.” **Jean-Laurent Bonnafé, CEO of BNP Paribas November 20, 2015.**

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 the large corporate clients.

In testimony of this commitment to sustainability, BNP Paribas holds robust ratings with numerous extra-financial rating agencies².

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.

¹ 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/>

² Please refer to 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 SECTORS

In accordance with BNP Paribas Group policy to contribute to the energy transition and in line with the Green Bond Principles, BNP Paribas has identified sectors with a positive impact on the environment for its Green Bond Framework (the “Eligible Sectors”). The Eligible Sectors are as follows:

- Renewable Energies;
- Energy Efficiency;
- Mass and Public Transportation;
- Water Management and Water Treatment; and
- Recycling.

Within the Eligible Sectors, BNP Paribas has identified Eligible Green Assets based on its comprehensive Environmental, Social and Governance (“ESG”) risk management framework³ which provides rigorous and appropriate filters⁴.

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 as per the ‘Management of the Proceed’ section, subject, as the case may be, to external third parties review, all as more fully detailed in ‘External review by third parties’ section.

a. Renewable Energies

The Paris Agreement on Climate Change aims to limit global temperature rise this century 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.

The Eligible Green Assets may include assets related to the acquisition, development and operation of renewable energies such as:

- Offshore and Onshore Wind;
- Concentrated Solar Power (“CSP”);
- Solar Photovoltaic (“Solar PV”);
- Hydropower projects upon condition (limited to small run of river plants or in connection to upgrade of existing assets in temperate zones and subject to a careful review and scrutiny from BNP Paribas CSR teams); and
- Bioenergy and geothermal projects; and

³ Please see in Chapter 7 of the Registration document Commitment 3: Systematic integration and management of environmental, social and governance risks

<https://invest.bnpparibas.com/sites/default/files/documents/ddr2015eng.pdf>

⁴ Please see ‘Selection of Assets’ section and Appendix for further details



- Equipment manufacturer for Renewable Energies.

b. Energy Efficiency

Energy efficiency will play a major role in reducing greenhouse gas emissions. According to the International Energy Agency⁵, more than 40% of Greenhouse Gas (“GHG”) emissions reduction should come from increased energy efficiency. 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 2015⁶.

The Eligible Green Assets may include assets related to energy efficiency such as:

- 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;
- Retrofit commercial and public buildings (e.g. insulation of walls and roofs, LED lightning, replacement of boilers, implement energy management systems, refurbishment of heating, ventilation and air conditioning systems);
- Improved infrastructure (e.g. LED street lighting); and
- Smart grid investments for more efficient transmission and distribution of energy.

c. Mass and Public Transportation

Transport accounts for about 60% of global oil consumption and 23% of world CO2 emissions⁷. 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.

The Eligible Green Assets may include assets related to:

- Energy efficient public transport (eg. convert public buses fleet to alternative fuels: electric, biofuel, hybrid; subways and electric bus fleets);
- Development, operation and upgrade of rail transports for both passengers and goods;
- Transportation infrastructure (expansion of train/metro networks, projects in relation to capacity improvement, station upgrade); and
- Non-diesel rolling stock (replacement of rolling stock).

For clarification purposes, aviation and shipping are not part of the scope of Eligible Green Assets.

⁵ IEA, Energy Efficiency Market Report 2015

⁶ <http://www.unepfi.org/fileadmin/documents/DeclarationIntentEnergyEfficiencyFinance.pdf>

⁷ World Bank website, Dec.2015, <http://www.worldbank.org/en/news/press-release/2015/12/02/multilateral-development-banks-join-forces-to-ramp-up-climate-action-in-transport>



d. Water Management and Water Treatment

A 40%⁸ 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 Nations⁹, water scarcity is among the main problems of the 21st century.

The Eligible Green Assets may include assets related to water management and water treatment such as:

- Development, operation and upgrade of water treatment plant;
- Water use minimization;
- Leakage prevention; and
- Other water related projects including irrigation and wastewater.

e. Recycling

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 level will further increase with rapid urbanisation in Africa and Asia. Waste management and recycling in particular will therefore become critical.

The Eligible Green Assets may include assets related to:

- The development, operation and upgrade of recycling and waste-to-energy power plants;
- Recycling activities for instance for metals, plastic and paper.

f. High sensitivity sectors excluded

For clarification purposes, the following sectors¹⁰ are excluded from the BNP Paribas Green Bond Framework: Defence, Palm oil, Wood pulp, Nuclear Energy, Coal-fired power generation, Oil sands, Mining industry and Tobacco.

⁸ World Bank 2016 report *High and Dry, Climate Change, Water and the Economy*

⁹ <http://www.un.org/waterforlifedecade/scarcity.shtml>

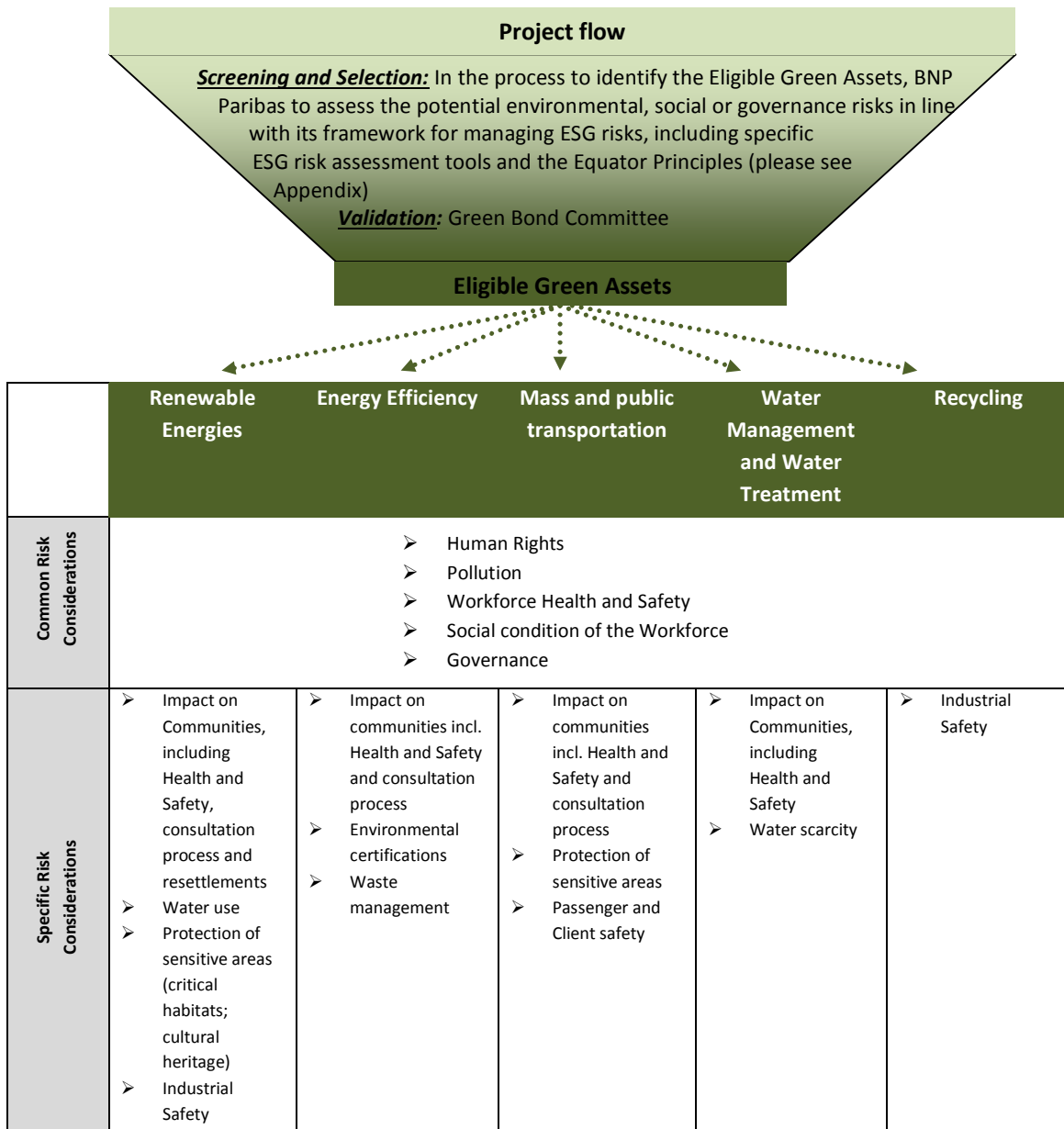
¹⁰ Please see Appendix. Further details on the policy of BNP Paribas for those sectors can also be found on BNP Paribas website <https://group.bnpparibas/en/financing-investment-policies>



SELECTION OF ASSETS

a. Identification of the Eligible Green Assets

The Eligible Green Assets are sourced from the various Eligible Sectors and result from the application of the Eligibility Criteria. Eligibility Criteria are a two-step process which encompasses internal screening selection and external review by third parties. Any existing, on-going and/or future loans or any other form of financing could be considered for the Eligible Green Assets.





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;
- Non-Performing Loans or loans under watch list; and
- Assets pledged to other financing programmes.

Recognizing that Green Bond guidelines and best practices are evolving, BNP Paribas would always consider the appropriate selection criteria at the time of any Green Bond issuance¹¹ and will seek to be in line with the best market practices.

EXTERNAL REVIEW BY THIRD PARTIES

The Eligibility Criteria will then be further verified by the review of 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 provider, external independent auditors and/or any other third parties deemed to be appropriate as per the Green Bond Principles. The external reviews will be available on BNP Paribas Investors' website: <https://invest.bnpparibas.com/en/green-bond-issues>.

To ensure transparency, BNP Paribas will provide external third parties reviews as per the table below.

		New Assets to be added in the single common pool of Eligible Green Assets	
		New Green Bond issuance	During the life of the Green Bond
Eligible SECTORS	<i>Eligibility Criteria Already Reviewed</i>	Independent review by a second party opinion provider and verification by external independent auditors*	Verification by external independent auditors of the annual reporting
	<i>Eligibility Criteria Not Reviewed</i>		Independent review by a second party opinion provider and verification by external independent auditors*

*In this situation, the external review by third parties will be made available to investors ahead of any inclusion of new assets / new sectors.

BNP Paribas intends to have second party opinions with a similar scope and quality as for its inaugural Green Bond.

¹¹ References to Green Bond, Notes, Bonds in this BNP Paribas Green Bond Framework should be construed as any notes to be issued by BNP Paribas in line and in accordance with its Green Bond Framework



For each Green Bond issuance and as long as the Green Bonds are outstanding BNP Paribas will mandate external independent auditors to review the Eligible Green Assets. The external independent auditors will provide, on an annual basis, assurance on the allocation of the net proceeds of the Notes to Eligible Green Assets¹², the conformity of the Eligible Green Assets with the Eligibility Criteria, the relevant impact indicators and the alignment with the Green Bond Principles.

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 BNP Paribas 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 will monitor the use of the net proceeds of the Notes via its internal information systems.

BNP Paribas will do its best effort 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.

b. Unallocated proceeds

Pending the allocation or reallocation, as the case may be, of the net proceeds of the Notes 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.

¹² Please see 'Reporting / Annual reporting' section



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 the Green Bond market practices in terms of disclosure/reporting, harmonization.

The Green Bond Committee will take place on a semi-annual basis and will be chaired by the Head of Corporate Social Responsibility for BNP Paribas.

Members of the Green Bond Committee will include the following departments:

Energy and Infrastructure Financing Solutions teams: 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 provider and the appropriate external independent auditors, managing any potential controversies, for assisting in screening of Eligible Green Assets and Eligible Sectors and preparing the reporting for investors. In its role of 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.

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 the Green Bond will be outstanding, the Issuer will provide a reporting 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 Notes’ 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 the Issuer.

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

The annual reporting intends to follow the guidelines of the Green Bond Principles, as amended from time to time, and the reference framework “Working towards a harmonized framework for Green Bond impact reporting” dated December 2015.

In particular, BNP Paribas intends to report on the impact of the Eligible Green Assets when applicable. In the case of the Renewable Energies Eligible Sector, BNP Paribas has considered the following indicators: annual production and tons of CO2 emissions equivalent avoided based on the EIB Project Carbon Footprint Methodologies¹³. For illustration purposes, please see below an indicative report relating to the Renewable Energies Eligible Sector.

Sector	Technology	Countries	Number of projects	Capacity in MW	Estimated production in GWh	Estimated t CO2 eq. avoided
Renewable Energies	CSP & Solar PV					
	Onshore Wind					
	Offshore Wind					
TOTAL						

For the other Eligible Sectors where the adequate impact measurement is not the tCO2 emission equivalent avoided, an appropriate indicator will be proposed in line with market best practices and recommendation of the external third party mandated for the assessment of the Green Bond.

There will be a single annual reporting for all Green Bond issuances under the BNP Paribas Green Bond Framework.

¹³ <http://www.eib.org/about/documents/footprint-methodologies.htm>



The first annual reporting will be published on the anniversary date of the first issuance. Any future reporting will be published thereafter on the anniversary date of this first report.

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

b. Other documents

The following documents will be made available to investors and disclosed publically on BNP Paribas Investors' website:

- Final Terms of the relevant Green Bond issuances;
- BNP Paribas Green Bond Framework;
- BNP Paribas Green Bond Investor Presentation;
- Second party opinion from independent second party opinion provider;
- Assurance report from an appropriate external independent auditors; and
- Annual reporting and methodology.

Link to the investor website: <https://invest.bnpparibas.com/en/green-bond-issues>



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 approach¹⁴.

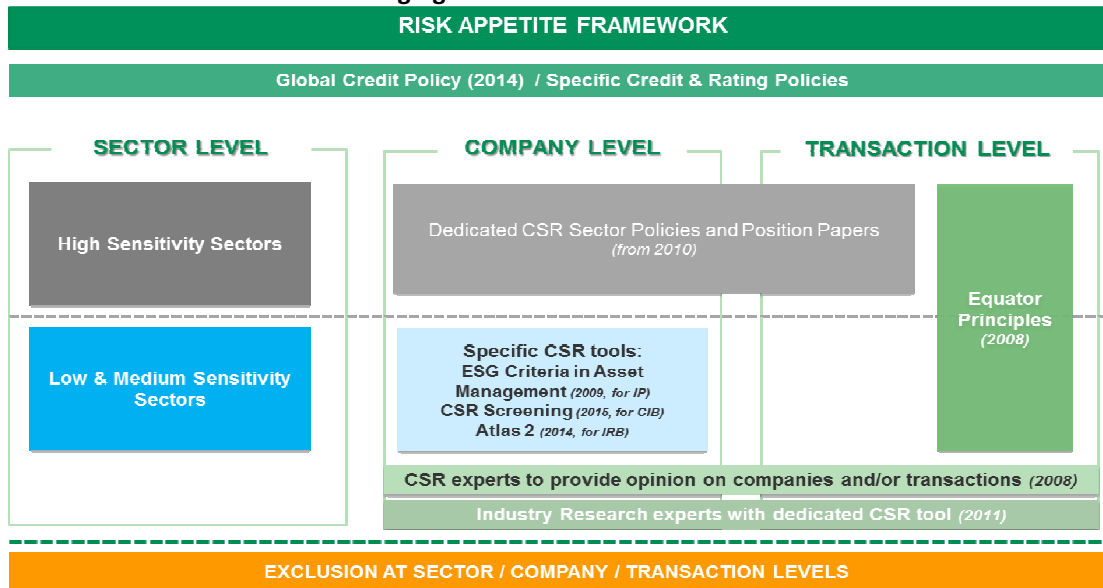
This approach is based on:

- The development of corporate social responsibility (CSR) policies covering the provision of financial products and services to clients and/or projects with significant ESG issues;
- Compliance with Equator Principles for major industrial and infrastructure projects;
- The implementation of a specific ESG risk assessment framework for certain sectors not covered by Sector policies in certain Core Business such as CIB; and
- The use of appropriate management and monitoring tools.

This framework, in place since 2010, was further strengthened with the following measures:

- Strengthening of its carbon risk management;
- A new policy for the agricultural sector and covering financial products tied to agricultural commodity prices; and
- A CSR Screening tool and process to assess ESG risk for Corporate clients within its CIB division.

BNP Paribas’ Framework for Managing ESG Risks



a. Sector policies

¹⁴ Please see in Chapter 7 of the Registration document
<https://invest.bnpparibas.com/sites/default/files/documents/ddr2015eng.pdf>



Some sectors present major ESG challenges and are considered highly sensitive such as defence, palm oil and nuclear energy industries. For these sectors, BNP Paribas has put in place policies which include stringent ESG criteria considerations when making financing and investment decisions. Those Sector policies allow BNP Paribas to operate in such sectors but under well-defined conditions. As such these policies allow BNP Paribas to avoid the worst performers and favour the best players and companies engaged in improving their practices.

Developed in cooperation with independent experts, these public policies apply to all of the Group's business lines and regions. In 2015, BNP Paribas reviewed 658 transactions to check their compliance with these policies and other framework.

At the end of 2015, BNP Paribas had eight comprehensive sector policies covering the following sectors:

- Defence
- Palm oil
- Wood pulp
- Nuclear energy
- Coal-fired power generation
- Oil sands
- Mining industry
- Agriculture

All the sector policies are made publically available:

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

b. Equator Principles

BNP Paribas has adopted the Equator Principles (EPs) in 2008. This due diligence process applies to certain type of 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 (World Bank standards), designed to avoid and reduce potential negative impacts on populations and the environment, and to ensure projects are developed in the responsible manner. Compliance with these standards is ensured through specific clauses in the loan documentation, and performance is regularly monitored. This voluntary initiative brings together 85 financial institutions from 35 countries.

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

https://group.bnpparibas/uploads/file/2016_07_equator_principles_reporting_for_the_year_2015.pdf



c. Specific ESG risk assessment system for products and service

✓ Integration of ESG criteria into lending and rating policies

Since 2012, BNP Paribas is integrating progressively ESG criteria into the specific credit and rating policies. As of October 2016, sixteen policies incorporate ESG criteria and one is undergoing validation. In addition to the ESG criteria applicable to specific activities, the general credit policy for corporate clients requires an assessment of the ESG performance of such companies including the management of ESG risks affecting their main suppliers and sub-contractors.

✓ The assessment of ESG risks for large corporate clients

The ESG risks for large corporate clients belonging to sectors not covered by sector policies are analysed using a dedicated tool and process within CIB, the “CSR Screening”.

This tool evaluates the most critical ESG risks through detailed questionnaires. Risks reviewed include pollution and the protection of natural resources, workforce health & safety and social condition of the workforce, the impact on communities, business ethics and anti-bribery and corruption policies. The objective of this analysis is to engage in a dialogue with clients on their critical ESG impact and the policies in place to mitigate them.

✓ CSR monitoring and exclusion lists

The application of the ESG framework of the Bank allows the identification of companies that do not meet the Group’s CSR requirements. Companies with which the Group wishes to stop or restrict commercial activities due to ESG concerns are added to the exclusion or CSR monitoring list respectively. Whereas no business relationship whatsoever is allowed with a company on the exclusion list, the companies on the monitoring list are subject to Group measures intended to ensure that they change their practices and reduce their ESG risks in a definitive manner. At the end of 2015, these lists included over 200 companies

d. Control plan of the implementation of the ESG risk management tools of BNP Paribas

It should be highlighted that the implementation of this ESG framework in the various operating entities of the BNP Paribas Group relies on existing levels of control (such as RISK and Compliance) to the extent possible.

In order to ensure that ESG risk management tools are strictly applied in all entities, the Group has launched a CSR operational control plan since 2015. This control plan is fully integrated into the Group's general operational control framework and will be transposed in the various operating entities. After determining the controls to be made by the different business lines and entities of the Group, the CSR and permanent operational control functions have created working groups tasked with defining the organisation and implementation of the controls throughout the Group’s entities.

In addition, the General Inspection of the Bank is conducting periodic review of various business and coverage teams to ensure compliance with the Group and division procedures. This control also includes the application of the ESG framework.