

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF ACTION LOGEMENT SERVICES' « SUSTAINABLE BONDS »

September 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Sustainable Bonds² (the “Bonds”) to be issued by Action Logement Services (the “Issuer” or “ALS”).

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the ICMA’s Green Bond Principles (“GBP”) and Social Bond Principles (“SBP”) voluntary guidelines (referred together as the “GBP & SBP”), both edited in June 2018.

Our opinion is built on the review of the following components:

- 1) **Issuer** : we assessed the Issuer’s management of potential stakeholders-related ESG controversies and its involvement in controversial activities³.
- 2) **Issuance** : we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental and social commitments, its potential contribution to sustainability and its alignment with the four core components of the GBP & SBP 2018.

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders, (ii) information from Vigeo Eiris exclusive ESG rating database, and (iii) information provided by the Issuer through documents and interviews conducted with Issuer’s managers and stakeholders involved in the Bonds’ issuance.

We carried out our due diligence assessment from August 21st, 2019 to September 27th, 2019. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. We consider that the information made available enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that Action Logement Services’ contemplated Bonds are aligned with the four core components of the GBP and SBP 2018.

We express a reasonable assurance⁴ (our highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Bonds to sustainability.

1) Issuer (see Part I) :

- ▶ As of today, no controversy was identified for ALS related to ESG factors.
- ▶ The Issuer is not involved in any of the 15 controversial activities screened under our methodology.

2) Issuance (see Part II) :

The Issuer has described the main characteristics of the Bonds within a Framework which covers the 4 core components of the GBP and SBP 2018 (the last updated version was provided to Vigeo Eiris on September 25th, 2019). The Issuer has committed to make the Second Party Opinion publicly accessible on its website⁵

We are of the opinion that the contemplated Bonds are coherent with the Issuer’s strategic priorities and commitments with respect to sustainable development and to its sector issues.

¹ This opinion is to be considered as the “Second Party Opinion” described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² The “sustainable bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “sustainable bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

⁴ Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section):

Level of Evaluation: Advanced, Good, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

⁵ <https://www.actionlogement.fr/>

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under five Project Categories (“Eligible Categories”), namely: Access to basic services, Access to affordable housing, Energy efficiency, Green buildings and Pollution prevention and control. The Eligible Categories are formalized in the Framework and are considered clearly defined.
- ▶ The Eligible Categories are intended to contribute to five main social objectives, namely: combating inadequate housing, combating insecurity and facilitating access to housing, employment and basic services; and three main environmental objectives, namely: climate change mitigation, combating fuel poverty and combating soil artificialization. These objectives are formalized in the Framework and considered clearly defined and relevant.
- ▶ The target populations that will benefit from the Eligible Social Projects have been clearly defined for each of the eligible sub-category and considered relevant.
- ▶ The environmental and social benefits of the Eligible Projects are clearly defined. An area for improvement is to quantify ex-ante the environmental and social benefits for each of the eligible sub-categories.
- ▶ The Issuer has communicated transparently on the estimated share of refinancing, which will not exceed 30% of the total bond amount and commits, in case of refinancing of expenses, to respect a look-back period of maximum 12 months from the Bonds’ issuance, in line with good market practices.

Process for Projects Evaluation and Selection

- ▶ The process for the evaluation and selection of the Eligible Projects is clearly defined in the Framework, however its governance is partially defined. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on relevant and explicit eligibility (selection) criteria.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are considered initiated.

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental and social benefits of the Eligible Projects. Impact indicators are clearly defined for two of the three environmental categories and partially defined for one of the three categories. Outcome indicators are defined for both social categories.

ALS has committed that its Bonds will be supported by external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments, to be made publicly available Action Logement Services on its website, at the date of issuance.
- An external verification: the Issuer commits to mandate an independent auditor to annually verify the good allocation of funds and the compliance of Eligible Projects with the eligibility criteria.

This Second Opinion is valid for the Sustainable Bonds contemplated by ALS with respect to GBP and SBP 2018.

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not carried out any audit mission or consultancy activity for Action Logement Services. No established relation (financial or commercial) exist between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the assets to be financed by the Bond. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication are at the discretion of the Issuer, submitted to Vigeo Eiris approval.

DETAILED RESULTS

Part I. ISSUER

Action Logement Services (ALS) is a simplified joint-stock company, created in 2016 by decree, member of the Action Logement group and whose sole shareholder is Action Logement Groupe (ALG). The purpose of ALS is to finance actions in the housing field, in particular for employee housing, in order to promote employment and contribute to economic growth throughout the French territory through loans, guarantees, financial assistance and services to individuals, companies and social landlords. ALS is the body in charge of implementing the "Convention Quinquennale" (2018-2022) signed with the French State, through which €15 billion will be provided to finance housing dynamics. The "Convention Quinquennale" was amended with the signing of the Voluntary Investment Plan (€9 billion) of Action Logement, leading to a total commitment of €23.4 billion over the period 2018-2022.

Management of stakeholders-related ESG controversies

As of today, no controversy was identified for ALS related to ESG factors.

Involvement in controversial activities

The Issuer is not involved in any of the 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence of the Bonds

Context: According to the United Nations, the real estate sector accounts for 40% of global energy consumption and 33% of greenhouse gas emissions. As a result, this sector can play a leading role in how CO2 emissions are valued and incorporated into the development, design and management of real estate. Real estate players should rely on international certifications that frame the environmental performance of buildings (including LEED and BREEAM). As existing buildings will last for decades to come, improving energy efficiency is a priority to fight climate change.

The real estate sector should also play a crucial role in promoting socio-economic development, including through the development of affordable housing and financial services adapted to vulnerable populations, with the aim of facilitating social access to property, access to affordable housing and redeveloping marginalized urban areas.

We are of the opinion that the contemplated Bonds are coherent with the Issuer's strategic priorities and commitments with respect to sustainable development and to its sector issues.

ALS considers itself to be the 2nd largest funder of social housing in France and therefore is one of the sector key players in France :

- Outstanding loans to legal entities amounted to EUR 11.947 million as of December 31st 2018
- EUR 635 million have been invested to finance public policies in 2018
- 96 901 households accessed housing through ALS in 2018

Action Logement group has created a Voluntary Investment Plan ("Plan d'Investissement Volontaire") of EUR 9 billion for social and environmental stakes, which include among others :

- the challenges of energy renovation of housing,
- the mobility problems faced by many employees in their travels between their home and their workplace
- the transformation of empty office buildings and abandoned business areas into housing
- the need to reduce degraded or even indecent housing.

In addition, Action Logement also supports employees by offering them services and financial assistance (mostly through loans and guarantees) that facilitate access to housing, and therefore to employment: the number of beneficiaries of Action Logement Services' grants and services reached 550,000 people in 2018 for EUR 641 million of financial commitments granted over the year.

By creating a Framework to issue sustainable bonds to finance or refinance, in full or in part, assets related to energy efficiency, green buildings, pollution prevention and control as well as affordable housing and access to basic services, the Issuer coherently aligns with its sustainability strategy and commitments and addresses the main issues of the sector in terms of environmental and social responsibility.

Use of Proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under five Project Categories (“Eligible Categories”), namely: Access to basic services, Access to affordable housing, Energy efficiency, Green buildings and Pollution prevention and control. The Eligible Categories are formalized in the Framework and are considered clearly defined.

The Eligible Categories are intended to contribute to five main social objectives, namely: combating inadequate housing, combating precarity and facilitating access to housing, employment and basic services; and three main environmental objectives, namely: climate change mitigation, combating fuel poverty and combating soil artificialization. These objectives are formalized in the Framework and considered clearly defined and relevant.

The target populations that will benefit from the Eligible Social Projects have been clearly defined for each of the eligible sub-category and considered relevant.

The environmental and social benefits of the Eligible Projects are clearly defined. An area for improvement is to quantify ex-ante the environmental and social benefits for each of the eligible sub-categories⁶.

The Issuer has communicated transparently on the estimated share of refinancing, which will not exceed 30% of the total bond amount and commits, in case of refinancing of expenses, to respect a look-back period of maximum 12 months from the Bonds’ issuance, in line with good market practices.

The Issuer confirms that all the projects financed are located in Metropolitan France and in the DROM.

⁶It should be noted that quantitative objectives are set globally for each measure under the “Convention Quinquennale” and the Voluntary Investment Plan

Action Logement Services' Framework				Vigeo Eiris' Analysis
Eligible Categories	Sub-Categories and definitions	Target populations	Environmental / Social Objectives and Benefits	
Access to basic services	Assistance in adapting housing to ageing and dependency Renovation works on sanitary facilities including Main Works and Related Works as defined in Annex 1 of the Framework.	Ageing persons (from 70 years old) or persons in a dependent situation (GIR 1 to 4), whose net tax income is below the "modest resources" ceiling of l'Agence Nationale de l'Amélioration de l'Habitat (ANAH).	Combating inadequate housing <i>Ensure that dependent persons are able to stay in their homes</i>	The definition of this category is clear. The social objective is clear and relevant. The target populations are clearly identified. The expected social benefit is clearly defined.
	Renovation of medico-social establishments and financial support to their managers <ul style="list-style-type: none"> Improvement of accommodation and care capacities Upgrade to meet current standards Heavy restructuring 	Non-profit public or private collective residences for dependent elderly and disabled people	Access to basic services⁷ <i>Improve access to and quality of care for the elderly and disabled people with modest resources</i> <i>Improve the autonomy (possibility to remain at home) and health conditions of the population</i> <i>Reduce social inequalities in health (through health care platforms)</i>	The definition of this category is clear. The social objective is clear and relevant. The target populations are clearly identified. The expected social benefits are clearly defined.
	Assistance to employees in difficulty (through the CIL-PASS Assistance service) <ul style="list-style-type: none"> Diagnosis and referral to appropriate social services Financial assistance as defined in Annex 1 of the Framework (e.g. refinancing of real estate loans and assistance on receipt) Emergency housing solutions 	Employees facing housing difficulties ⁸	Combating precarity <i>Improve access to social and financial services for employees in difficulty</i> <i>Prevent the eviction of employees in difficulty</i> Access to housing <i>Improve accessibility to emergency housing</i>	The definition of this category is clear. The social objectives are clear and relevant. The target populations are clearly identified. The expected social benefits are clearly defined.

⁷ As defined by the Social Bond Principles 2018: health, education and vocational training, care, financing and financial services

⁸ According to the eligibility criteria defined in Annex 1 of ALS' Framework : "Presentation of the measures proposed by Action Logement Services".

Action Logement Services' Framework				Vigeo Eiris' Analysis
Eligible Categories	Sub-Categories and definitions	Target populations	Environmental / Social Objectives and Benefits	
Access to affordable housing	Development of social and intermediate housing offer (individual or collective) <ul style="list-style-type: none"> Capital contributions and loans at reduced rates to social and intermediate landlords Financing of new construction, acquisition-improvement and rehabilitation operations 	Social housing organisations and organisations accredited for the production of reduced VAT intermediate housing (Art. 279-0 bis A of the CGI) for the housing of households under resource conditions.	Access to housing Combating precarity <i>Increase social and intermediate housing offer</i>	The definition of this category is clear. The social objectives are clear and relevant. The target populations are clearly identified. The expected social benefit is clearly defined.
	Restructuring of degraded and very degraded condominiums⁹ (equity and subsidies) <ul style="list-style-type: none"> "Very degraded" condominiums (128 condominiums at national level) whose maintenance in private status is not possible, given their state of degradation, and whose recycling is being considered (demolition-reconstruction or transformation into social housing). "Degraded" condominiums (700) whose maintenance in condominiums is desired and which requires a fine work of recovery through the acquisition of condominiums' lots. 	Social housing organisations and organisations accredited for the production of reduced VAT intermediate housing (Art. 279-0 bis A of the CGI) for the housing of households under resource conditions.	Combating inadequate housing <i>Increase decent housing offer</i>	The definition of this category is clear. The social objective is clear and relevant. The target populations are clearly identified. The expected social benefit is clearly defined.
	Social access to home ownership <ul style="list-style-type: none"> National "low cost housing" (HLM) Sales Operator - creation of a universal tool to accelerate HLM sales to tenants in the social housing stock "Accession Plus Loans" for employees buying their HLM housing or accessing home ownership through a "social loan rental-accession" (PSLA) option. 	"low cost housing" (HLM) sales : tenants in the social housing stock, whose resources are mainly below the ceilings set by decree PSLA : natural persons under resource conditions ¹⁰	Access to housing Combating precarity <i>Improve social access to home ownership</i>	The definition of this category is clear. The social objectives are clear and relevant. The target populations are clearly identified. The expected social benefit is clearly defined.

⁹ Criteria taken into account in the identification of degraded condominiums: state of deterioration of the building, level of unpaid condominium charges, level of over-occupation of the housings and presence of landlords of the "sleep merchants" type

¹⁰ <https://www.anil.org/psla/>

Action Logement Services' Framework				Vigeo Eiris' Analysis
Eligible Categories	Sub-Categories and definitions	Target populations	Environmental / Social Objectives and Benefits	
	Financing of public policies related to housing¹¹ (budget contribution) <ul style="list-style-type: none"> Agence Nationale pour la Rénovation Urbaine (ANRU) Association Foncière Logement (AFL) Fonds National des Aides à la Pierre (FNAP) Agence Nationale pour l'Information sur le Logement (ANIL) Plan National Action Cœur de Ville 	<p>Priority neighbourhoods population of the city policy</p> <p>Plan national Action Cœur de Ville ¹² : population of the 222 medium-sized cities identified in France to participate in this revitalisation program</p>	<p>Access to housing Combating precarity</p> <p><i>Improve access to housing in priority neighbourhoods</i></p> <p><i>Contribute to the revitalisation of city centres and to social diversity</i></p>	<p>The definition of this category is clear.</p> <p>The social objectives are clear and relevant.</p> <p>The target populations are clearly identified.</p> <p>The expected social benefits are clearly defined.</p>
	Solidarity Land Tenure Organisations ("OFS") <ul style="list-style-type: none"> Allocation of equity capital or equity loans according to the statutory form of the "OFS" 	<p>Households under resource conditions (PLSA¹³). The control of this criterion at each evolution of the building guarantees the durability of the social destination of the housing¹⁴.</p> <p>Location : mainly the areas of tension between housing supply and demand.</p>	<p>Access to housing</p> <p><i>Improve social access to home ownership</i></p>	<p>The definition of this category is clear.</p> <p>The social objective is clear and relevant.</p> <p>The target populations are clearly identified.</p> <p>The expected social benefit is clearly defined.</p>
	Employment – Housing mobility assistance <ul style="list-style-type: none"> Assistance to reduce home-work distance or access to employment Assistance to security deposit coverage Housing assistance for young people 	<p>All employees of private sector non-agricultural companies, regardless of their seniority and the nature of their work contract.</p> <p>Young people under 30 years old</p>	<p>Access to housing</p> <p><i>Improve access to housing for employees and young people</i></p> <p>Access to employment</p> <p><i>Support employment in the concerned territory</i></p>	<p>The definition of this category is clear.</p> <p>The social objectives are clear and relevant.</p> <p>The target populations are clearly identified.</p> <p>The expected social benefits are clearly defined.</p>

¹¹ Agence Nationale pour la Rénovation Urbaine (ANRU) : renovation of priority neighbourhoods
 Association Foncière Logement (AFL) : increase the social diversity in priority neighbourhoods
 Fonds National des Aides à la Pierre (FNAP) : financing of "very social" housing
 Agence Nationale pour l'Information sur le Logement (ANIL) : organisation for information on housing and habitat
 Plan National Action Cœur de Ville : renovation of medium-sized city centres

¹² <https://www.cohesion-territoires.gouv.fr/programme-action-coeur-de-ville>

¹³ <https://www.anil.org/psla/>

¹⁴ <https://www.hlm.coop/ressources/all/9716>

Action Logement Services' Framework				Vigeo Eiris' Analysis
Eligible Categories	Sub-Categories and definitions	Target populations	Environmental / Social Objectives and Benefits	
	<p>Combating indecent housing¹⁵</p> <ul style="list-style-type: none"> Acquisition and rehabilitation of indecent, unsafe, endangered housing in city centres. 	<p>Vulnerable population (according to defined resource conditions) who are victims of indecent housing because of the unsafe or unhealthy nature of their housing.</p> <p>Location : 6 acceleration territories against indecent housing defined by the French government (la Seine-Saint-Denis, le Val-de-Marne, l'Essonne, le Nord, les Alpes-Maritimes et les Bouches-du-Rhône).</p>	<p>Combating inadequate housing <i>Improve access to decent housing</i></p> <p>Promoting social inclusion <i>Increase social diversity</i></p>	<p>The definition of this category is clear. The social objectives are clear and relevant. The target populations are clearly identified. The expected social benefits are clearly defined.</p>
Energy Efficiency	<p>Energy renovation work on the private housing stock</p> <ul style="list-style-type: none"> Works¹⁶ carried out by « REG » companies (Recognised Environmental Guarantor)¹⁷ The renovation complies with the energy performance standards set out in the regulation transposing the Energy Performance of Buildings Directive (DPEB)¹⁸ 	<p>Employee-owners living under a resource ceiling ("modest resources ANAH")</p> <ul style="list-style-type: none"> Modest wage earner landlords or landlords housing salaried employees Location : B2 et C zones, and cities beneficiary of the Action cœur de ville plan (ACV). 	<p>Combating fuel poverty <i>Increase the energy performance of the private housing stock</i></p> <p>Climate change mitigation <i>Avoid GHG emissions</i></p>	<p>The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined.</p> <p>An area for improvement consists in setting CO2 emissions reduction targets in line with international standards such as CBI (e.g. to achieve a CO2 emissions reduction target determined by the duration of the obligation. For a 5-year bond, the CO2 emission reduction target is 30%. For a 30-year bond, the target is 50%).</p>

¹⁵ Indecent housing : "Premises and installations used for residential purposes and unsuitable by nature for such use, as well as dwellings whose condition, or that of the building in which they are located, exposes the occupants to manifest risks that may affect their physical safety or health" (extract from article 4 of the law of 31 May 1990).

¹⁶ Eligible works : <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000020459597>

¹⁷ <https://www.ademe.fr/entreprises-monde-agricole/labels-certifications/entreprises-batiment/comprendre-mention-reconnu-garant-lenvironnement>

¹⁸ https://ec.europa.eu/energy/sites/ener/files/documents/fr_building_renov_2017_fr.pdf

Action Logement Services' Framework				Vigeo Eiris' Analysis
Eligible Categories	Sub-Categories and definitions	Target populations	Environmental / Social Objectives and Benefits	
Green Buildings	<p>Transformation of business premises and offices into social and intermediate housing</p> <ul style="list-style-type: none"> Financing of works as defined in Annex 1 of the Framework (notably energy renovation works) Long-term land leaseback of office and business premises or in EAZ (Economic Activity Zones) <p>Eligibility criteria : Aligned with the European Low Consumption Building Standards "NZEB" (<i>Nearly Zero Energy Building</i>) and compliant with the RT 2012 construction standards in France¹⁹.</p>	<p>Social housing organisations and organisations accredited for the production of reduced VAT intermediate housing (Art. 279-0 bis A of the CGI)</p> <p>Location : A bis, A et B1 zones</p>	<p>Combating fuel poverty <i>Improving the energy performance of social and intermediate housing</i></p> <p>Climate change mitigation <i>Reduce GHG emissions</i></p>	<p>The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined. An area for improvement consists in seeking Green Buildings certifications such as LEED, BREEAM or HQE.</p>
	<p>Financing the construction and/or acquisition of social and intermediate housing (individual or collective)</p> <p>Eligibility criteria : Aligned with the European Low Consumption Building Standards "NZEB" (<i>Nearly Zero Energy Building</i>) and compliant with the RT 2012 construction standards in France.</p>	<p>Social and intermediate housing organisations, housing households under resource conditions.</p>	<p>Combating fuel poverty <i>Improving the energy performance of social and intermediate housing</i></p> <p>Climate change mitigation <i>Avoid GHG emissions</i></p>	<p>The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined. An area for improvement consists in seeking Green Buildings certifications such as LEED, BREEAM or HQE.</p>
Pollution prevention and control	<p>Demolition of obsolete and vacant social housing</p> <p>Financing, in the form of grants and loans, to support operations of zones demolition of social housing in areas where housing offers meet housing demands, and in cities labelled "Action Cœur de Ville", and operations to produce an attractive offer of rental housing within the limit of one dwelling built for three demolished dwellings.</p> <p>Physical, chemical, biological & thermal treatments.</p>	<p>All "low cost housing" (HLM) organisations</p> <p>Location : B2 and C zones except ANRU (mainly agricultural land that has not been subject to industrial pollution)</p> <p>Area eligible for the Action Cœur de Ville programme</p>	<p>Combating soil artificialization <i>Contribute to soil preservation</i></p> <p>Waste management <i>Contribute to waste recycling</i></p>	<p>The definition of this category is partially clear. Clarifications can be made regarding the definitions of the types of treatments planned. The environmental objectives are clear and relevant. The environmental benefits are clearly defined.</p>

¹⁹ Energy performance thresholds RT 2012: Housing 50 kWh/m²/year, Offices 70 kWh/m²/year, Shops 320 kWh/m²/year, Hotels, retirement homes 100 kWh/m²/year, Logistics 50 kWh/m²/year

In addition, the Eligible Categories are likely to contribute to eight of the United Nations' Sustainable Development Goals ("SDGs"), namely : Goal 1. No poverty, Goal 3. Good Health and Well-being, Goal 7. Affordable and Clean energy, Goal 8. Decent work and Economic growth, Goal 10. Reduced Inequalities, Goal 11. Sustainable Cities and Communities, Goal 13. Climate Action and Goal 15. Life on Land.



Eligible Categories	SDG	SDG Targets
Access to basic services	SDG 3. Good Health and Well-Being	3.8
	SDG 10. Reduced Inequalities	10.2
Access to affordable housing	SDG 1. No Poverty	1.2 ; 1.4
	SDG 8. Decent Work and Economic Growth	8.3
	SDG 10. Reduced Inequalities	10.2
	SDG 11. Sustainable Cities and Communities	11.1
Energy efficiency and Green Buildings	SDG 7. Affordable and Clean Energy	7.1 ; 7.3
	SDG 11. Sustainable Cities and Communities	11.1
	SDG 13. Climate Action	NA
Pollution prevention and control	SDG 11. Sustainable Cities and Communities	11.1
	SDG 15. Life on Land	15.3

Process for Projects Evaluation and Selection

The process for the evaluation and selection of the Eligible Projects is clearly defined in the Framework, however its governance is partially defined. We consider that the process is reasonably structured, transparent and relevant.

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with partially defined roles and responsibilities :

- The Evaluation Committee, which is currently being created, will be supported by Action Logement Groupe's Studies and Evaluation department. The department is in charge of producing the reports on the implementation of the « "Convention Quinquennale" » which includes indicators of social utility, which will be completed on the basis of the scoping work.

ALS ensures that the Committee will involve Social Partners and, if appropriate, representatives of the various stakeholders. However, as of today Vigeo Eiris does not have sufficient visibility on its composition.

The Evaluation Committee's role is to :

- Map the social, societal and environmental needs and issues on which stakeholders are waiting for actions implemented or financed by Action Logement,
- Propose a set of social utility indicators for the Eligible Projects, in order to monitor in a readable and recurrent way the impact of Eligible Projects,
- Select projects for Sustainable Bonds,

The process for evaluation and selection of Eligible Projects is clearly defined :

- Each individual operation is evaluated by ALS teams and then validated by :
 - The credit commission that validates the funding grants,
 - Shared Services Centres (SSCs, with a validation delegation) that instruct and grant credits for individuals,
 - The Evaluation Committee which will select, from the funding envelopes granted, the sustainable bonds' projects according to the categories of eligible projects and the criteria defined in the Framework. It will also be in charge of monitoring the portfolio of selected projects and proposing to replace categories of projects that no longer meet the eligibility criteria.

The traceability and verification are ensured throughout the process :

- The biannual meetings associated with the decision to select and evaluate projects will be subject to meeting minutes, allowing traceability of these decisions.
- The Evaluation Committee is responsible for ensuring that the selected projects are compliant with the eligibility criteria throughout the life of the bond.
- The application of the guidelines published by Action Logement Group, in particular regarding compliance with the process for selection and evaluation of projects according to the eligibility criteria, is subject to an annual reporting to the Board of Directors of Action Logement Groupe.
- An annual verification of the compliance of projects with the eligibility criteria will be carried out by an independent external auditor.

The process relies on relevant and explicit eligibility (selection) criteria.

- The selection is based on the eligibility criteria described in the Framework and in the "Use of proceeds" section of this opinion.

The identification and management of the environmental and social risks associated with the Eligible Projects are considered initiated.

As part of the funding arrangements for legal entities, ALS applies a specific directive entitled « Critères d'octroi des financements », validated by the Board of Directors of Action Logement Groupe. These criteria allow the financial evaluation of the borrower and of the operation as well as the assessment of the adequacy of the offer produced by the operation in a territory, and include criteria evaluating its environmental and social quality. A rating grid is currently being developed to allow the scoring of all legal entities operations. The scoring of the financed operations aims to better objectify the decisions to grant funding. ALS plans to include criteria relating to the environmental quality of operations and of the pool of funded landlords. An area for improvement is to identify and formalize these environmental criteria. The proper application of these criteria is monitored by systematic internal verification of the documents at the time of grant, throughout the duration of the loan disbursement.

ALS performs a Know You Customer (KYC) check of the customer, which includes notably governance risks. Indeed, ALS applies a risk management process that includes, among other things, obligations to combat money laundering and terrorism financing ("LCB-LT"). In addition, given the nature of the loans and the pre-defined eligibility conditions, social risks appear to be limited. However, to date ALS does not integrate environmental criteria into its KYC procedure. An area for improvement is therefore to integrate environmental criteria into the KYC procedure in order to strengthen the management of customer-related environmental risks.

Borrowers may be placed under a "watchlist" if doubts are raised in terms of financial stability, corporate stability, asset condition, involvement in litigation and contribution to territorial development. ALS has also initiated a process to monitor the portfolio of social landlords, gradually incorporating non-financial criteria to improve risk management. An area for improvement is to formalize the extra-financial criteria that will be included in this monitoring.

Customer relations and services: ALS has set up a procedure for handling complaints and incidents that allows to elaborate monthly reports providing indicators such as the rate of complaints and the rate of customer satisfaction. In addition, ALS is engaged in a banking inclusion approach to prevent over-indebtedness.

Construction / renovation work: In addition to complying with the French legislation (RT 2012) and applying European low-energy building standards (NZEB)²⁰, ALS uses approved REG (Recognised Environmental Guarantor) companies for energy renovation work on the private housing stock. REG-certified construction companies guarantee a recognised qualification in terms of energy performance. In addition, ALS asks for the presence of an Assistant to the Contracting Authority for each of the energy renovation projects, allowing the control and monitoring of the projects.

Demolition work: Ahead of the demolition, the project manager carries out an audit of the building and in particular a technical diagnosis of asbestos and lead, in line with French regulations. In the event of the presence of asbestos, the contracting authority is obliged to remove it before the building is demolished. In terms of waste management and recovery, the contracting authority sends all materials in appropriate landfills and recovery centres, with notably the use of waste tracking forms for all site materials. Good demolition practices result in "clean site" approaches, which include the management of noise, dust, vibrations and cleanliness of the site surroundings. However, we do not have any visibility on the follow-up measures implemented. With regard to social risks, the landlords financed by ALS apply the relocation policy in the demolition operations of the Molle Law of March 25th 2009, which requires the owners of a building that is to be demolished to relocate its inhabitants.

Working conditions: Regarding social dialogue, human rights and health and safety matters, ALS operates under the French legislation. We are not aware of any specific clauses related to the health and safety of workers involved in renovation, construction, and demolition.

Discrimination in the allocation of fundings: ALS has defined, for each type of funding, precise eligibility criteria in terms of eligibility conditions, beneficiaries, status, resources and geography, thus limiting the risk of discrimination in the allocation of fundings.

An area for improvement consists in including an ESG contractual clause in contracts with beneficiaries and to carry out non-financial audits for the operations financed.

²⁰ https://www.union-habitat.org/sites/default/files/articles/documents/2018-03/Transcription_EPBD_2015-05.pdf

Management of Proceeds

The rules for the management of proceeds are clearly defined. We consider that they would enable a documented and transparent allocation process.

The allocation of the net proceeds of the Sustainable Bonds will be monitored by the Evaluation Committee of Action Logement group, which will decide annually on the allocation of the funds.

The allocation and the management of proceeds are clearly defined :

- The net proceeds of the issuance will be allocated to budget lines corresponding to eligible projects. Each budget line will be monitored individually.
- The unallocated proceeds are managed by Action Logement Services' treasury management teams and will be invested in interest-bearing term accounts or in assets considered as non-risky²¹. An area for improvement is to set up an exclusion criterion relating to carbon activities for unallocated proceeds' investments.
- The Issuer has committed to allocated the sustainable bonds' proceeds to eligible projects within a maximum period of 24 months.
- Because of the large number of financings and grants within the sustainable bonds portfolio, the monitoring of the Selected Projects will be carried out in an aggregated form.
- If a project is no longer eligible due to a controversy²², ALS will reallocate the funds to another project within a maximum period of 12 months.

Traceability and verification of the funds are ensured throughout the process :

- From one year after the first issuance and until full allocation, an independent third party will verify annually the allocation of proceeds to the portfolio of Eligible Projects.

Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental and social benefits of the Eligible Projects. Impact indicators are clearly defined for two of the three environmental categories and partially defined for one of the three categories. Outcome indicators are defined for both social categories.

The process for monitoring, data collection, consolidation, validation and reporting is clearly defined in the Framework and in internal documentation.

The process is structured and based on relevant internal expertise and involves different departments :

- Action Logement Groupe's Studies and Evaluation department is in charge of the reporting.
- Information related to the activity (the volumes and amounts of services and grants distributed) is provided by ALS' management control team.
- On the environmental and social aspects, the modalities will be defined as part of the implementation of the general evaluation framework and of the indicators for monitoring social utility that will have been determined.
- The Evaluation Committee will also be responsible for reviewing and validating the annual impact report communicated to investors.

The reporting will be made available annually on the Issuer's website.

²¹ Defined by Action Logement Services as: denominated in euros, with a maturity of less than 1 year, a variable rate against Eonia or Euribor and rated at least A1/P1.

²² Defined by Action Logement Services as: "Judicial conviction of a beneficiary legal entity".

The Issuer has committed to communicate transparently on the Eligible Categories :

Reporting indicators
<ul style="list-style-type: none"> - The total amount of proceeds allocated to date - The share of refinancing versus refinancing - The total amount of unallocated proceeds and the type of temporary investments - The number and nature of Eligible Projects financed - The total amount invested by project category

In addition, the Issuer may also disclose the following indicators (provided as examples) :

General indicators
<ul style="list-style-type: none"> - Geographical distribution of financed projects - Distribution of fundings to legal entities by region or by zoning A / B / C - Distribution of fundings to legal entities by type of organisation - Distribution of fundings to legal entities by type of loan (PLUS, PLS, PLA1) - Support in favour of employees (by type of support) - Regional distribution of support to natural persons - Regional distribution of each type of support to natural persons - Regional distribution of rental allocations to natural persons - Amount of fundings granted to public housing policies

An area for improvement consists, in case of refinancing, to systematically report on the share of financing attributable to the bond's proceeds.

Elible Categories	Outcome indicators
Access to basic services	<ul style="list-style-type: none"> - Number of households receiving support for housing adaptation to ageing and dependency - Number of medical and social establishments supported and number of places in the corresponding establishments - Number of employees in difficulty receiving financial assistance and breakdown by type of financial assistance provided.
Access to affordable Housing	<ul style="list-style-type: none"> - Number of social housing units built and/or acquired; financed - Number of intermediate housing units built and/or acquired; financed - Number of beneficiaries/households that have become owners thanks to the various assistance measures (social home ownership, OFS, etc.) - Nature of public policies funded and amount allocated - Number of OFS supported - Number of housing financed for acquisition or rehabilitation - Number of inadequate housings rehabilitated

Eligible Categories	Outcome indicators	Impact indicators
Green Buildings	<ul style="list-style-type: none"> - Number of new and rehabilitated housings financed - Energy performance of these housings 	<ul style="list-style-type: none"> - Energy savings (MWh) - Greenhouse gas emissions avoided (t eq. CO2)
Energy Efficiency	<ul style="list-style-type: none"> - Number of renovated housings - Energy performance of these housings 	<ul style="list-style-type: none"> - Energy savings (MWh) - Greenhouse gas emissions avoided (t eq. CO2)
Pollution prevention and control	<ul style="list-style-type: none"> - Number of obsolete housings destroyed - Number of housings rebuilt 	An area for improvement consists in defining impact indicators.

An area for improvement consists in setting up an annual external audit of the environmental and social impacts reporting.

The calculation methodologies and assumptions used to calculate the benefits of Eligible Projects will be published as part of the policy for evaluating the social utility of the operations as planned in the « Convention Quinquennale » at Action Logement Group's level.

The company plans to use external reviews of its Framework in case of major changes.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance.

Our research and rating procedures are subject to internal quality control complemented by a final review and validation by the Direction of Methods. All employees are signatories of Vigeo Eiris' Code of Ethics, and all the consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The ESG performance of the Issuer has not been assessed following a complete process of rating and benchmark developed by Vigeo Eiris.

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

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

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non-Communicative).

Involvement in controversial activities

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, Vigeo Eiris' controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP and SBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and relevance. The eligibility criteria have been assessed regarding their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based on material issues considered in Vigeo Eiris' ESG assessment methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Management of Proceeds

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

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable a transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the issuance. Vigeo Eiris has evaluated the reporting framework regarding its transparency, exhaustiveness and relevance.

VIGEO EIRIS' ASSESSMENT SCALES

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

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



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Milan, Montreal, Hong Kong, Casablanca, Rabat and Santiago.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

