



# SECOND PARTY OPINION<sup>1</sup>

## ON THE SUSTAINABILITY OF NEXITY'S GREEN BOND FRAMEWORK

December 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 Green Bonds<sup>2</sup> ("Bonds") to be issued by Nexity (the "Issuer") in compliance with the Green Bond Framework (the "Framework") created to govern their issuance.

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to ICMA's Green Bond Principles ("GBP") voluntary guidelines edited in June 2018.

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

- 1) **Issuer:** we assessed the Issuer's ESG performance<sup>3</sup>, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>4</sup>.
- 2) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer's environmental commitments, the Bonds' potential contribution to sustainability and its alignment with the four core components of the GBP 2018.

Our sources of information are multichanneled, 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 the Issuer's managers and stakeholders involved in the Bonds issuance, held *via* a telecommunications system.

We carried out our due diligence assessment from November 8<sup>th</sup>, 2019 to December 2<sup>nd</sup>, 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 Nexity's Green Bond Framework is aligned with the four core components of the Green Bond Principles 2018.**

**We express a reasonable assurance<sup>5</sup> (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 June 2018, Nexity displays an overall good ESG performance. Currently the company is ranked 12<sup>th</sup> in our "Financial Services - Real Estate" European sector which covers 82 companies.
- ▶ As of today, no stakeholders-related ESG controversy involving Nexity was identified.
- ▶ The Issuer is not involved in any of the 15 controversial activities screened under our methodology.

<sup>1</sup> 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](http://www.icmagroup.org)).

<sup>2</sup> The "Green Bond" is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name "Green Bond" has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

<sup>3</sup> The Issuer's ESG performance was assessed in June 2018 by a complete process of rating and benchmark developed by Vigeo Eiris. All potential evolutions and data published after this date are not included in the rating.

<sup>4</sup> 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.

<sup>5</sup> 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.

## 2) Issuance (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalized Green Bond Framework (the last updated version was provided to Vigeo Eiris on November 29<sup>th</sup>, 2019). For its inaugural Bond, the Issuer has committed to make this document accessible to investors before its issuance and publicly accessible on Nexity's website<sup>6</sup> after the issuance.

We are of the opinion that the contemplated Bonds are coherent with Nexity's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments and targets.

### Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under one Green Project Category ("Eligible Category"), namely: Green Buildings. We consider that the Eligible Category is clearly defined.
- ▶ The Eligible Category is intended to contribute to one main environmental objective, namely: climate change mitigation. This objective is formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to annually assess and, as feasible, quantify the expected environmental benefits of the Bonds issued.
- ▶ In addition, the Eligible Category is likely to contribute to three of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 7. Clean and affordable energy, Goal 11. Sustainable Cities and Communities and Goal 13. Climate Action.
- ▶ The Issuer has committed to communicate transparently on the estimated share of refinancing for each transaction before the issuance. For its first Bond issuance, 100% of the bond will be used for refinancing. The issuer has committed that, in case of re-financing, a look-back period of maximum 24 months from the Bonds' issuance date will be applied, in line with good market practices.

### Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection), relevant to the environmental objectives defined for the Eligible categories.
- ▶ The identification and management of the material environmental and social risks associated with the Eligible Projects are considered good.

### Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. 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 benefits of the Eligible Projects.

---

<sup>6</sup> <https://www.nexity.fr/>

Nexity 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 by the Issuer on its website<sup>7</sup>, at the date of issuance.
- An annual verification: an external verification performed by a third-party auditor, covering the allocation of funds and the compliance in all material aspects of the actual allocation of proceeds to the Eligible Green Assets and their alignment with the eligibility criteria.

*This Second Party Opinion is based on the review of the Framework and information provided by the Issuer, according to our exclusive assessment methodology and to the GBP voluntary guidelines (June 2018)*

Paris, December 3<sup>rd</sup>, 2019

<b>Project team</b>		<b>For more information, contact:</b>
<p>Mohana Mc Gartland <i>Sustainability Consultant</i></p> <p>Muriel Caton <i>Supervisor</i></p>	<p>Rebecca Smith <i>Sustainability Consultant</i></p>	<p>Paul Courtoisier <i>Head of sustainability bonds &amp; loans</i> (+33) 6 85 35 43 51 <a href="mailto:paul.courtoisier@vigeo-eiris.com">paul.courtoisier@vigeo-eiris.com</a></p>

#### Disclaimer

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

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, 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 Bonds. 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 Bonds, 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 for approval.

## DETAILED RESULTS

### Part I. ISSUER

Nexity SA is a leading real estate services group in France. It engages in the construction, development, and marketing of real estate properties. As a developer of residential real estate, the company provides solutions in individual houses, apartment buildings, and the full development of neighborhoods complete with homes available for rent or purchase, commercial spaces and public facilities. It has various subsidiaries engaged in different divisions, such as high-rise buildings, new office buildings and structural renovations; warehouses, distribution centers and mixed-use units; services during every stage of a project design, purchase, daily management, renovation and sale. The company was founded in 2002 and is headquartered in Paris, France. It has a strong presence across all industry cycles (short, medium and long term).

### Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of June 2018, Nexity displays an overall good ESG performance. Currently the company is ranked 12<sup>th</sup> in our "Financial Services - Real Estate" European sector which covers 82 companies.

Domain	Comments	Opinion
Environment	<b>Nexity's performance in the Environment pillar is good.</b> Nexity's environmental strategy is exhaustive, with clear procedures in terms of responsible property investment and management. In addition, more than 80% of offices have HQE, LEED or BREEAM certifications. The Company describes relevant steps to minimise the energy consumption of its properties, including the use of renewable energy sources.	Advanced
	Regarding cooperation with tenants to reduce environmental impacts, measures reported include awareness raising programmes, green lease and energy evaluation.	Good
	Regarding protection of biodiversity, the company conducts environmental impact assessments and training programmes and relevant biodiversity management guidelines are in place.	Limited
	The lack of reporting on intensity data and KPIs on energy, waste and water consumption negatively impacted the Company's performance.	Weak
Social	<b>Nexity's performance in the Social pillar is good.</b> Nexity's performance in Human Rights is advanced. Regarding non-discrimination and diversity, Nexity has now implemented comprehensive measures that include, among others, flexitime initiatives, child care facilities and monitoring of salary disparities. As to the respect of freedom of association, Nexity has issued a formal policy in this regard and internal audits are regularly carried out to ensure the respect of freedom of association within its operations.	Advanced
	Nexity's performance in Human Resources is limited. Nexity discloses adequate efforts on social dialogue, in line with local laws and practices. In fact, 97% of employees are based in France. Moreover, collective bargaining between the company and employee representatives deals with subjects related to the quality of the work environment. Furthermore, some measures are reported to promote career management (regular career interviews), and to improve health and safety conditions (monitoring and training). The lack of reporting on initiatives in place to manage reorganisations responsibly affects the overall performance in this domain.	Good
	Nexity's performance in Community Involvement is good. Nexity has adopted an exhaustive commitment to promote local social and economic development and comprehensive programmes have been reported in this regard, such as social needs impact assessments for development, and revitalisation of marginalised urban areas. Nexity is involved in the development of social housing programmes and its commitment in this field dates back to 2005. To a lower extent, the company provides safety guidelines and awareness raising programmes for tenants to promote a safe access for visitors and tenants and conducts risk assessment in this regard. Nexity describes efforts to improve site connectivity, supporting multimodality solutions.	Limited
		Weak

Governance	<p><b>Nexity's performance in the Governance pillar is Good.</b></p> <p>Nexity's performance in Corporate Governance is advanced. The audit and internal control systems is in line with international standards and also cover climate change and health and safety risks. Regarding shareholders rights, no restrictions have been identified and the Company presented to shareholders and investors its CSR strategy. As to executives' remuneration, the Company is transparent on the performance conditions guiding the allocation of incentives. In addition, CSR performance objectives are considered in the determination of variable remuneration of senior executives. Room for improvement is identified in the composition and structure of the Board of directors since the roles of Chairman and CEO are combined.</p> <p>Nexity's performance in the Business Behaviour domain is limited. The Company has adopted a Supply Charter that sets minimum social and environmental standards to its contractors. The Company continues displaying exhaustive policies in terms of prevention of corruption and money laundering and efficient measures are in place to ensure customers are treated fairly, however information on measures to promote responsible lobbying is not disclosed.</p>	Advanced
		Good
		Limited
		Weak

The Issuer reports that some changes have occurred since the company's ESG rating in June 2018, that could affect the overall ESG performance, including:

- According to the Issuer, the role of Chairman and CEO are now separated;
- The Issuer states that it can not report on KPIs related to energy, waste and water consumption, the company not being the owner of the buildings in operation.

Nexity's next ESG rating will take place in July 2020.

#### **Management of stakeholder-related ESG controversies**

As of today, no stakeholders-related ESG controversy involving Nexity was identified.

#### **Involvement in controversial activities**

Nexity appears to not be 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 of 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 Issuance

**Context note:** Buildings account for approximately a third of the world's energy consumption and greenhouse gas emissions. In Europe, buildings are the largest energy consuming sector, responsible for around 40% of energy consumption and 36% of carbon emissions. The adoption of a sound Environmental strategy is a key issue for the sector. In particular, companies are expected to integrate environmental considerations in their investment and management decisions. Since existing buildings will be standing for the next decades, the improvement of energy efficiency is a priority in the fight to climate change. As a principle, the EU Taxonomy has recognized energy- and resource-efficient and low-GHG emission buildings as eligible under the mitigation criteria; considering as a minimum benchmark the top performing 15% of the stock as representative of the best level of energy and resource efficiency that can be achieved in a local context. To reflect the level of ambition for the Taxonomy, this percentage will subsequently be tightened to set the sector on a net-zero carbon trajectory by 2050. Finally, it must be noted that cooperation with tenants is also an essential element to improve the environmental performance of buildings.

**We are of the opinion that the contemplated Bonds are coherent with Nexity's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments and targets.**

Nexity appears to understand its role as a company and actor in the real estate sector, in providing solutions to support society's transition to a sustainable economy.

Nexity's strategy takes into account sustainability issues and new economic models of the real estate sector and has been designed to respond to them. Sustainable real estate development is included in its wider Corporate Social Responsibility (CSR) strategy.

Nexity's CSR strategy considers the expectations of all its stakeholders and aims to provide solutions to social and environmental issues. It includes commitments on designing sustainable cities, better access to housing, better building practices, being a preferred employer, and upholding high standards in corporate governance and business ethics.

Nexity integrates sustainability by design in the development of its products and services in the following areas: climate change mitigation and energy efficiency; alternative and low-carbon mobility; biodiversity and nature in cities; well-being and quality of life; social connections/living together; and socio-economic impact of its activities.

These strategies are concretised by quantitative targets such as:

- The reduction of GHG emissions by 30% per home delivered (2015 basis) by 2030 for local authority clients
- 33% of the surface of delivered projects will be timber-frame structures by 2030 for commercial clients.

These commitments are supported by a responsible governance structure including sustainability issues at the level of top management, through a dedicated CSR Department.

By creating a Framework to issue Green Bonds intended to finance or refinance the construction of new green residential properties with energy efficiency criteria, Nexity coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

### Use of Proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under one Green Project Category (“Eligible Category”), namely: Green Buildings. We consider the Eligible Category clearly defined.

The Eligible Category is intended to contribute to one main environmental objective, namely: climate change mitigation. This objective is formalized in the Framework and considered clearly defined and relevant.

The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to annually assess and, as feasible, quantify the expected environmental benefits of the Bonds issued.

The Issuer has committed to communicate transparently on the estimated share of refinancing for each transaction before the issuance. For its first Bond issuance, 100% of the bond will be used for refinancing. The Issuer has committed that, in case of re-financing, a look-back period of maximum 24 months from the Bonds’ issuance date will be applied, in line with good market practices.

Nexity’s Framework			Vigeo Eiris’ Analysis
Eligible Category	Eligibility Criteria	Environmental objectives and benefits	
<b>Green Buildings</b>	<p>The development and construction of residential properties located in Metropolitan France:</p> <ul style="list-style-type: none"> <li>- Project exclusively developed by Nexity, including services residences, excluding co-developed projects;</li> <li>- Project approved by Nexity’s “Purchasing Committee” during the previous and current years of issuance of the bond (representing a maximum of 24 months);</li> <li>- Project aligned with European Nearly-Zero-Energy Buildings (NZEB)<sup>8</sup> low consumption building standards;</li> <li>- Project with a level of energy performance equivalent to the EPC rating of B (or above);</li> <li>- Project with a level of energy performance belonging to the top 15% residential stock in France<sup>9</sup>, in line with CBI requirements.</li> </ul>	<p><b>Climate Change Mitigation</b></p> <p><i>GHG emissions avoidance (vs Nexity 2015 baseline)<sup>10</sup></i></p>	<p>This category is considered clearly defined. An area for improvement consists in looking into Green Building certifications such as LEED (Gold), BREEAM (Excellent or +), HQE (Excellent) etc.</p> <p>The environmental objective is clearly defined and relevant.</p> <p>The expected environmental benefits are clearly defined. The Issuer has set quantitative targets at corporate level to reduce GHG emissions of residential facilities by 2030. An area for improvement consists in quantifying ex-ante the expected environmental benefits at bond level.</p>

<sup>8</sup> The NZEB concept is a requirement from the EU Energy Performance of Buildings Directive (EPBD) for all new buildings by 2021. France has been in the forefront in transposing this EPBD in its national regulation and construction standards with the implementation of the new Thermal Regulation RT 2012, making mandatory for all new buildings to be NZEB since 2013.

<sup>9</sup> Based on RT 2012 requirements: <https://www.climatebonds.net/files/files/Residential%20Proxy%20France.pdf>

<sup>10</sup> The 2015 baseline is Nexity’s corporate baseline for CSR commitments (related to GHG emissions).

In addition, the Eligible Category is likely to contribute to three of the United Nations’ Sustainable Development Goals (“SDGs”), namely: Goal 7. Clean and affordable energy, Goal 11. Sustainable Cities and Communities and Goal 13. Climate Action.

Eligible Green Category	SDG		SDG Targets
<b>Green Buildings</b>		SDG 7. Clean and affordable energy	7.3. By 2030, double the global rate of improvement in energy efficiency
		SDG 11. Sustainable Cities and Communities	11.3. By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
		SDG 13. Climate Action	The Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

**Process for Project Evaluation and Selection**

**The governance and process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.**

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

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

- For the purpose of the Bonds, a Green Bond Committee (“the Committee”) has been created. This Committee is chaired by the Deputy CEO and is composed of representatives of the:
  - Finance Department
  - CSR Department
  - Residential Real Estate operational teams
- The Committee is responsible for:
  - Review of compliance of selected Green Projects with the Eligibility Criteria, financial validation in terms of financial needs and amounts to be funded and exclusion of controversial projects;
  - Validation of the Green Bonds’ proceeds allocation;
  - Monitoring of the dynamic Eligible Green projects’ pool;
  - Validation of the annual reporting for investors;
  - Monitoring of the Auditors’ annual missions;
  - Review the Framework to reflect any change with regards to the Group’s sustainability strategy and initiatives, and any change in market standards and criteria selection for green buildings.

- The process consists in the following steps:
  - Every Nexity's Residential Real Estate program is submitted to the Commitments Committee<sup>11</sup> and then to the Purchasing Committee<sup>12</sup> (or equivalent committees);
  - Once the above mentioned Committees have approved the projects, the CSR Department is responsible for a first identification of Eligible Green Projects and for the constitution of the potential pool of projects;
  - The Financial Department is then in charge of compiling the information related to the amount of funding required (WCR) for this potential pool of Eligible Green Projects and of identifying proceeds allocation accordingly;
  - Finally, the Green Bond Committee selects and validates the final pool of Eligible Green Projects and the allocation of proceeds.

The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:

- The Green Bond Committee will meet at least once a year, and in case of material controversy.
- Meeting minutes that will be written for each meeting of the Committee.
- An external auditor will verify the compliance of the projects financed by the bonds issued under the Green Bond Framework with the defined eligibility criteria.

**The process relies on explicit eligibility criteria (selection), relevant to the environmental objectives defined for the Eligible categories.**

- The selection is based on the Eligible Categories defined in the Use of Proceeds section of the Framework.
- In case of an Eligible Green Project facing a material ESG controversy<sup>13</sup>, the Issuer commits to exclude this project from the Green Eligible Projects pool.

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

- All assets are compliant with the French RT2012 energy efficiency regulation, therefore all new buildings must have a primary energy consumption below a threshold of 50 kilowatt hours per square metre per year on average.
- For all assets during the construction phase, Nexity has implemented guidelines and recommendations for risk prevention and all worksites are subject to systematic on-site visits and internal audits (covering notably health and safety of workers, impact on surroundings and pollution prevention) as part of Nexity's quality control processes, to verify compliance with regulation and safety guidelines. These guidelines also include due diligences for every external contractor notably a mandatory labour rights check. Nexity has also implemented a whistleblowing system which allows its employees to report any situations contrary to the Group's Code of Conduct.
- In addition, as part of its sustainable development policy, Nexity has developed and implemented an Environmentally Responsible Construction Site Charter addressing worksites' main issues. The implementation of this Charter is contractual and commits construction companies to all stages of the project: work site preparation, construction phase and lifting of reservations. Audits are performed by the prime contractor to ensure the respect of the Charter by the companies and penalties can be applied in the event of non-compliance. As of today, approximately 10% of the Eligible Green Project pool is covered by the charter. Nexity is committed to have 100% of its assets covered by 2022.

---

<sup>11</sup> "The Commitments Committee is composed of Residential Real Estate general management, as well as the Managing Director of the relevant subsidiary, and possibly others working on the project; approval for the biggest projects is given by the Group Commitments Committee, on which the Nexity general management has a mandatory seat. The Committees meet whenever necessary including any time the programme planned for a given site is changed in a significant way."

<sup>12</sup> "During the Purchasing acquisition, any proposed acquisition of land is examined based on a budget and the success of marketing operations."

<sup>13</sup> ESG controversies are defined by Nexity as a judicial conviction related to a project.

- During the work site preparation, a prime contractor (*'Maître d'Oeuvre d'Execution'- MOEX*) is designated and is in charge of the worksite. Regular meetings are held and communication tools are implemented in order to raise awareness, for all companies, on the eco-responsible dimension of the worksite. In addition, a site installation plan is implemented and provides requirements to companies notably regarding traffic areas, material storage areas and waste storage areas. Concerning waste management, the charter also requires from the companies the implementation of a waste management plan (estimates of waste production and waste sorting etc.).
- During the construction phase, the prime contractor is responsible for providing monthly reports covering all topics covered by the charter notably water, energy and waste management, pollution prevention and control (acoustic, dust, dirt), hazardous products and soil and biodiversity protection; for which specific measures are implemented. For instance, regarding water and energy management, the prime contractor is in charge of the monthly monitoring of water and energy consumption. Concerning social risks, the charter requires commitments from the companies to inform residents (through the implementation of a complaint mechanism system), on health and safety and fight against illegal work as well as unfair social competition.
- Moreover, almost 20% of assets within the Eligible Green Project pool are engaged in a certification process such as NF Habitat, HQE, Promotolec, etc. including eco-responsible criteria for worksites. Certified worksites are also covered by several audits.
- Vigeo Eiris was not provided with information related to measures preventing urban extension.

### **Management of proceeds**

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

The allocation and management of the proceeds are clearly defined:

- The net proceeds of the Bonds will be credited to the Issuer's general account, and will be managed by Nexity's Treasury Department in cash or cash equivalent. An amount equal to the net proceeds will be earmarked for allocation to the Eligible Green Projects.
- The Issuer commits to allocate the funds within 12 months of the bond's issuance.
- The unallocated funds will be held in the form of deposit accounts (time deposit or sight deposit accounts).
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, the Issuer has committed to reallocate the proceeds within 12 months.

Traceability and verification of both the tracking method and allocation of the proceeds are ensured throughout the process :

- The Finance Department will be responsible for monitoring the eligible projects' pool. The issuer commits to appropriately manage and track the proceeds, using an internal accounting system.
- The Committee is responsible for verifying that the total amount of the Bonds' proceeds does not exceed the funding requirements of the Eligible Green Projects' pool.
- An independent third party will verify the allocation of proceeds to the Eligible Green Projects, the management of proceeds as well as the unallocated proceeds amount.

**Monitoring & Reporting**

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in the Framework.

The processes are structured and based on relevant internal expertise and involve relevant departments of the Issuer:

- The Finance Department will be in charge of monitoring the allocation data. This data will be collected through Nexity's analytical accounting tools.
- The CSR Department will be in charge of collecting and consolidating the impact data, which will be collected through an internal tool dedicated to project management (enabling the monitoring of each project from design to operation).

The Issuer has committed to report within one year from issuance, annually and until the proceeds of the Bonds are fully allocated, and later in case of material changes. The reporting will be made publicly accessible on Nexity's website.

The Issuer has committed to transparently communicate at pool level, on:

- Allocation of proceeds: the selected reporting indicators are relevant.

Reporting indicators
<ul style="list-style-type: none"> <li>- A list of the Eligible Projects financed</li> <li>- Amount allocated vs total amount of the bond</li> <li>- The amount of temporary unallocated proceeds and the type of temporary placements</li> <li>- The % of refinancing, per Eligible Category</li> </ul>

- Environmental benefits: the selected reporting indicators are relevant.

Eligible category	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
<b>Green Building</b>	<ul style="list-style-type: none"> <li>- % of new homes that surpass at least by 10% the construction standards RT 2012 in France;</li> <li>- % of new homes that surpass at least by 20% the construction standards RT 2012 in France;</li> <li>- % of new homes with on-site renewable energy generation;</li> <li>- % of new homes that integrate an environmentally responsible building-site approach (Nexity Charter or other recognized standard)</li> <li>- Estimated carbon intensity (kgCO2/sq.m) of residential real estate production</li> </ul>	<ul style="list-style-type: none"> <li>- Estimated annual GHG emissions avoided (tCO2eq/home delivered) vs Nexity 2015 baseline</li> </ul>

The Issuer has committed to publicly disclose the key methodologies and assumptions used to calculate the environmental benefits of the Eligible Projects in its annual reporting.

The Issuer states that the impact reporting data is audited as part of its Registration Document audit.

## 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 corporation'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 evaluation framework of the material ESG issues have been adapted, based on our generic Financial Services - Real Estate's ESG assessment frameworks and on specific issues considering the Issuer's business activity.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Ethics, and all consultants have also signed its add-on covering financial rules of confidentiality.

### Part I. ISSUER

*NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.*

#### Level of the Issuer's ESG performance

Nexity's ESG performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Results: indicators, stakeholders' feedbacks and controversies.

#### 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 based 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 it is 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).

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.

### Involvement in controversial activities

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 specific 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 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 on its transparency, governance and relevance. The eligibility criteria have been assessed on 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 Vigeo Eiris' ESG assessment methodology, 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 on their transparency, coherence and efficiency.

### Reporting

Monitoring process and commitments, reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable 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. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

## **VIGEO EIRIS' ASSESSMENT SCALES**

Performance evaluation		Level of assurance	
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.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
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	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
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.		



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, 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](http://www.vigeo-eiris.com)