

SECOND PARTY OPINION¹

 SUMITOMO FORESTRY CO.,LTD.

ON THE SUSTAINABILITY OF

SUMITOMO FORESTRY'S GREEN CONVERTIBLE BOND²

September 2018

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials, management and structure of the Green Convertible Bond (hereafter the "Bond") considered to be issued by Sumitomo Forestry CO., LTD. (hereafter the "Issuer") in order to refinance part of the acquisition of Tasman Pine Forests Ltd.'s timberlands and related assets (the "Selected Project"). Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") assessment methodology, and on the alignment with the International Capital Market Association's Green Bond Principles voluntary guidelines (the "GBP").

Our opinion is based on the review of the three following components:

- **Issuer:** evaluation of the Issuer's ESG performance, its involvement in potential ESG controversies and controversial activities.
- **Issuance:** analysis of the coherence of the use of proceeds of the Bond with the Issuer's strategy and sector issues, and evaluation of the Bond's alignment with the GBP and of the Selected Project.
- **Bond Structure:** analysis of the convertible bond characteristics, excluding the market, liquidity and credit risks, the legal and financial conditions of the issue and the necessary board approval to issue a convertible bond.

Our sources of information are multichannel, combining data from our general rating database, information provided by Sumitomo Forestry, press content providers and stakeholders; complemented by interviews with involved departments and managers, held via telecommunications software. We carried out our due diligence assessment from July 15th to August 31st 2018.

We could access the appropriate documents and people we solicited. We consider that the provided information enables us to establish our opinion with a reasonable level of assurance on its relevance, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Bond considered by Sumitomo Forestry is aligned with the Green Bond Principles guidelines.

The Selected Project to be refinanced by the Bond is expected to have net positive environmental benefits, with positive contribution to climate change mitigation through carbon sequestration and protection of life on land, notably natural resources conservation. Consequently, we express a reasonable³ assurance (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability.

- **Issuer:** Sumitomo Forestry displays an overall moderate ESG performance (see Part I).
 - Vigeo Eiris reaches a moderate assurance on Sumitomo Forestry's capacity to address Environmental, Social and Governance factors. Our level of assurance is homogenously moderate across the Environmental, Social/Societal and Governance pillars.
 - As of today, no controversy was identified for Sumitomo Forestry related to ESG factors. Regarding the 15 controversial activities screened under our methodology⁴, Sumitomo Forestry has a minor involvement in Alcohol, through part of the operations of its subsidiary Kawanokita Development, and is not involved in any of the 14 other controversial activities.

¹ This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles (www.icmagroup.org).

² The "Green Convertible Bond" is to be considered as the potential forthcoming Bond, which issuance is subject to market conditions.

³ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section of this document):
Level of Evaluation: Advanced, Good, Limited, Weak.
Level of Assurance: Reasonable, Moderate, Weak.

⁴ The 15 controversial activities screened are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering (OGM), High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

- **Issuance:** We are of the opinion that the contemplated Bond is coherent with Sumitomo Forestry’s main sustainability priorities and sectorial issues, and contributes to achieve its commitments (see Part II).
 - The net proceeds of the Bond issuance will be used to refinance part of the acquisition of the Selected Project, clearly defined as a forest area established for the commercial production of timber in New Zealand, and intended to contribute to two environmental objectives, namely climate change mitigation and natural resources conservation.

The Selected Project is likely to contribute to two United Nations’ Sustainable Development Goals, namely Goal 13 – “Climate Action” and Goal 15 – “Life on Land”.

The Project’s environmental objectives are precise, measurable and relevant. Sumitomo Forestry will assess and quantify, as feasible, the expected environmental benefits.
 - The Project has been identified and selected based on explicit sustainability criteria. The Issuer is committed to formalize the process for project evaluation and selection and eligibility criteria. Of note, the governance and process for the selection of investments related to the Selected Project appear to be documented and relevant.

The identification and management of the environmental and social risks associated with the Project is considered to be overall good.
 - The rules for the management of proceeds are clearly defined and should enable a documented, transparent and good allocation process.
 - The reporting commitments are overall good, covering both funds allocation and the environmental outputs and impacts. However, the process for monitoring and reporting is reportedly initiated, which is an area for improvement.
- **Bond Structure:** We are of the opinion that the considered features for the convertible bond will not affect our opinion on the sustainability credentials of the bond.
 - The Issuer informed us that they will not include a green shoe option to the contemplated bond.

EXTERNAL REVIEW

Sumitomo Forestry’s Green Convertible Bond issuance is supported by an external review:

- The sustainability consultant review - the hereby Second Party Opinion performed by Vigeo Eiris, on the sustainability credentials of the Green Bond, based on pre-issuance commitments and covering the key features of the Green Bond.

No external verification of the tracking of the bond proceeds and the reporting metrics is contemplated, which is an area for improvement.

This Opinion is valid as of the date of issuance limited to Sumitomo Forestry’s Green Convertible Bond issued in September 2018 related to the Tasman Pine Forest project.

Paris, September 5th, 2018



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not executed any consultancy activity for Sumitomo Forestry until so far and no established relationship (financial or other) exists between Vigeo Eiris and Sumitomo Forestry.

This opinion aims to explain for investors why the Green Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the 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 correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects (re)financed by the Green Bond. Sumitomo Forestry 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 financial performance of the Green 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.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Sumitomo Forestry or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. 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.

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 is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

DETAILED RESULTS

Part I. ISSUER

Level of Sumitomo Forestry's ESG performance

We reach a moderate assurance on the Issuer's capacity to address Environmental, Social and Governance factors.

Domain	Comments	Opinion
Environment	<p>We reach a moderate assurance on the Issuer's capacity to mitigate environmental risks.</p> <p>The company attains an advanced performance in terms of environmental strategy. Sumitomo Forestry has set quantitative year-on-year targets regarding the reduction of water consumption and a 2030 target of reducing Green House Gas (GHG) emissions by 21% (from 2017 levels). The main environmental issue in this sector is biodiversity due to the problem of deforestation and the endangerment of plants and animal species in areas of operation. In this regard, Sumitomo Forestry comprehensively reports on measures including environmental impact assessments, training for employees and biodiversity management guidelines. In addition, some measures are in place to prevent accidental pollution, although data on environmental accidents is not publicly disclosed.</p>	Reasonable
	<p>Regarding the management of local pollution, a topic of concern for timber processing companies, only limited measures are in place to prevent noise pollution, and there is no evidence that other types of pollution sources (odours or dust) are addressed by the company. In terms of transportation of employees and products, Sumitomo Forestry has implemented rationalisation of transport flows and alternatives to road transport within its operations.</p>	Moderate
	<p>Besides energy-related emissions, companies in the sector face other types of air emissions. In this regard, the company monitors Sulphur Dioxide (SO_x), Nitrogen Oxides (NO_x) and Volatile Organic Compounds (VOCs) emissions across all countries of operation. Concerning water emissions, the company discloses information on Chemical Oxygen Demand (COD), but other indicators at group level do not appear to be publicly disclosed.</p>	Weak
Social	<p>We reach a moderate assurance on the Issuer's capacity to mitigate social risks.</p> <p>A key issue for this sector is the respect of indigenous peoples and property rights, given that companies often operate on territories that local communities derive their economic livelihood from. Sumitomo Forestry has issued a formalised commitment to 'Fundamental human rights' and has set up training and awareness raising programmes for its employees. In addition, grievance mechanisms are implemented to collect complaints from neighbouring residents.</p>	Reasonable
	<p>Forest work is one of the most hazardous occupations, with a higher incidence of fatal or major injuries than in many other sectors. Therefore, the improvement of health and safety conditions is a major issue. The company has made a formalised commitment to health and safety issues and has allocated extensive means to address this topic, notably risk assessments, training and obtaining OHSAS 18001 certification. The company's accident frequency rate seems to have decreased. Stress at work is also extensively addressed through employee assistance programme, avoidance of overtime and training.</p>	Moderate
	<p>The company's commitment to promote local social and economic development addresses its main responsibilities and the company has allocated significant means to address it. Moreover, the company has developed infrastructure projects and education promotion initiatives in areas of operation. Nevertheless, there is no evidence that these measures are implemented across all countries of operation.</p> <p>Of note, Sumitomo Forestry has made formalised commitments to including social factors in supply chain management. In this regard, the company has implemented supplier questionnaires and risk assessments for suppliers.</p>	Weak

Governance	<p>We reach a moderate assurance on the Issuer’s capacity to mitigate governance risks based on international standards. However, Sumitomo Forestry’s performance is considered to be above the average compared with other Japanese peers.</p> <p>The roles of the Chairman and CEO are separated but only a minority of Board Members are considered independent. The company follows the Japanese Statutory Auditor System; therefore, no Board Committee is in charge of Audit issues. On a positive note, a Nomination and Remuneration Committee is in place as an advisory Committee for issues related to nomination and remuneration. Yet, executive remuneration is not disclosed on an individual basis. The company respects the “one share – one vote” principle, and there is no reference to anti-takeover devices.</p> <p>A Sustainability Committee addresses CSR-related topics at Board level, including human capital development, diversity, discrimination and environmental matters. In addition, the company includes CSR topics including community involvement, corruption and biodiversity protection in presentations to shareholders and investors. However, it is unclear if CSR topics are taken into account in the determination of executives’ variable remuneration given the low level of information available in this regard.</p> <p>Forest management companies face the challenge of preventing illegal logging, which is often linked to corruption and fraud. Companies are thus required to have effective management resources in place to manage related risks. In this regard, Sumitomo Forestry has made formalised commitments to preventing corruption practices, which is supported by due diligence in joint ventures and in evaluating contractors. Moreover, employees have a confidential hotline at their disposal to prevent corruption and bribery. Finally, the company states that no corruption incidents have been reported internally.</p>	Reasonable (based on local standards)
		Moderate (based on international standards)
		Weak

Stakeholder-related ESG controversies

As of September 5th, 2018, no controversy was identified for Sumitomo Forestry related to ESG factors.

Involvement in controversial activities

Regarding the involvement in the 15 controversial activities analysed by Vigeo Eiris, Sumitomo Forestry has a minor involvement in Alcohol.

- The company has an estimated turnover, below 1%, from the operations of its subsidiary Kawanokita Development. This subsidiary’s main activity is the management of the Takinomiya Country Club golf course. As part of its facilities, a restaurant offers alcoholic beverages.

Sumitomo Forestry is not involved in any of the other 14 controversial activities analysed by Vigeo Eiris.

Part II. ISSUANCE

Sumitomo Forestry plans to publicly offer its first Green Convertible Bond. With regards to Green Bond Framework, we have suggested developing a framework incorporating the Green Bond Principles as well as Sumitomo Forestry's strategy for sustainability, in order to formalise the main objectives, commitments and characteristics of the Bond, and making this publicly accessible. Of note, Vigeo Eiris' Second Party Opinion will be made publicly accessible.

Coherence of the issuance

Vigeo Eiris considers that the contemplated Bond is coherent with Sumitomo Forestry's main sustainability priorities and sectorial issues, and contributes to achieve its commitments.

Forests are considered the largest carbon storehouses in the world, with a capacity to absorb harmful greenhouse gases, provide clean water, food, medicine and supplying raw materials for housing. It is estimated that almost 40% of manmade CO2 emissions are absorbed by forests worldwide. In addition, the United Nations considers that over 1.6 billion people depend on forests for subsistence, livelihoods, employment and income generation. Consequently, increasing the hectares of planted forests worldwide can have a positive impact in combatting climate change while providing associated environmental and social benefits.

- Sumitomo Forestry aims to contribute positively to the environment through sustainable and comprehensive forest management. The company owns and manages 278,000 hectares of sustainable forests worldwide, and has extensive experience in forest management, afforestation, cyclical planting and cultivation through its operations in Indonesia, Papua New Guinea, and Japan. Sumitomo Forestry looks to further enhance its business model of effectively using renewable timber resources. To this end, this Green Convertible Bond contributes to facilitate refinance the acquisition of forests in New Zealand.
- Sumitomo Forestry's Group Environmental Policy is centred in the preservation and enhancement of rich ecosystems to protect biodiversity, develop and sell products that are environmentally conscious, and promoting the effective utilisation of natural resources. Aligned to its corporate strategy, Sumitomo Forestry has set targets to reduce its GHG emissions by 21% between 2017 and 2030. In addition, Sumitomo Forestry has established targeted policies linked to the environment, including its Declaration of Biodiversity, which sets its stance on biodiversity preservation as well as defining Biodiversity Action Guidelines.

By issuing a Green Convertible Bond to refinance the acquisition of a forest area established for the commercial production of timber in New Zealand, Sumitomo Forestry coherently responds to its commitment to fight against climate change, as well as it aligns to the main issues of the sector in terms of environmental responsibility.

Use of proceeds

The net proceeds of the Bond issuance will be used to refinance part of the acquisition of the Selected Project, clearly defined as a forest area established for the commercial production of timber in New Zealand, and intended to contribute to two environmental objectives, namely climate change mitigation and natural resources conservation.

The Project's environmental objectives are precise, measurable and relevant. Sumitomo Forestry will assess and quantify, as feasible, the expected environmental benefits.

The net proceeds of the Bond will be used to refinance part of the expenses linked to the purchase of approximately 30,000 hectares of timberlands and related assets which comprise plantation forests of radiata pine located in Nelson, New Zealand. The purchase was completed in June 2016 by Tasman Pine Forests Ltd. For the issuance of its first Green Convertible Bond, the Issuer states that the refinancing share will be equal to 100%.

The Project is described extensively through the company's website and documentation.

The Project is FSC-certified and Sumitomo Forestry confirmed that no natural landscape was converted after 1994, in line with the requirements of FSC certification.

Sumitomo Forestry's environmental objective is to provide wood/timber produced in a sustainable manner, contributing to natural resources conservation objective. In addition, the Project also contributes to climate change mitigation objective, through carbon sequestration. These objectives are precise, measurable and relevant with regards to sustainable development challenges faced by companies in the Forest Products & Paper sector.

The expected environmental benefits to climate change mitigation and natural resources conservation will be assessed and quantified, as feasible, by the Issuer. As of today, the company's annual carbon stocks linked to the Selected Project has been calculated by the company, although not publicly disclosed.

Additional environmental objectives are pursued by Sumitomo Forestry and have been defined within Tasman Pine Forests Limited Forest Management Plan:

- Ensure that environmental values are identified and maintained.
- Identify areas within the estate that meet the Forest Stewardship Council (FSC) definition of High Conservation Value Forests (HCVF) and manage these in accordance with FSC requirements.

- Through monitoring and research, seek new ways to minimise the impacts of forestry operations on the environment, and to maximise the environmental benefits of forests.

In addition, the Selected Project is likely to contribute to two of the United Nations' Sustainable Development Goals, namely Goal 13 – “Climate Action” and Goal 15 – “Life on Land”.

UN SDG 13. Climate action



The UN SDG 13 consists in taking urgent action to combat climate change and its impacts, developing sustainable low-carbon pathways to the future, and accelerating the reduction of global greenhouse gas emissions. Forest management companies can contribute to this goal by conducting afforestation and preventing the depletion of natural resources capable of decreasing carbon emissions.

By using the Bond proceeds to refinance the Selected Project, Sumitomo Forestry is contributing to the UN SDG 13, with regards to the above-mentioned goal.

UN SDG 15. Life on Land



UN SDG 15 consists in protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. Sustainable forest management and afforestation can contribute to this goal by promoting the protection of mountain ecosystems, preventing the extinction of threatened species and preventing desertification.

By using the Bond proceeds to refinance the Selected Project, Sumitomo Forestry is contributing to the UN SDG 15, with regards to the above-mentioned contribution.

Process for project evaluation and selection

The Project has been identified and selected based on explicit sustainability criteria. The Issuer is committed to formalize the process for project evaluation and selection and eligibility criteria. Of note, the governance and process for the selection of investments related to the Selected Project appear to be documented and relevant.

The selection of the Selected Project relied on explicit eligibility criteria, including FSC certification and additional ESG criteria.

The issuer is committed to formalize its process for project evaluation and selection and related eligibility criteria during the next Executive Committee meeting (to be held on September 10th, 2018).

The process for the selection of investments is clearly defined.

- The process for the selection of investments related to the Selected Project is based on relevant internal expertise with well-defined roles and responsibilities:
 - Sumitomo Forestry's operation department informs management of the project and collects information on the project.
 - The Board of Directors decides on the acquisition of the project proposed by management within Sumitomo Forestry.
 - The Treasury Division is in charge of presenting a financing proposal.
 - A due diligence assessment is conducted to determine the potential economic return of the Eligible Projects, legal requirements and social and environmental matters including GHG emissions, protection of biodiversity, consideration of human rights and occupational safety and health.
- The process for the selection of investments is reasonably structured:
 - The Finance Department is responsible for defining and monitoring the financial eligibility of the Project.
 - The Business division is in charge of evaluating the Project eligibility, according to the eligibility criteria and its alignment with Sumitomo Forestry's Corporate Philosophy, Environmental Policy as well as CSR material analysis.
 - Investment decisions will be made at the Executive Committee level and the Board of Directors approves the acquisition of selected projects.
- The verification and traceability do not appear to be ensured throughout the process:

- We have recommended to conduct a third-party verification to review compliance with the selection process and criteria.

The identification and management of the environmental and social risks associated with the Project is considered to be overall good.

- A Forest Management Plan for the Tasman Pine Forests has been defined for the 2017-2022 period, which includes the overall management policies and practices undertaken by Sumitomo Forestry, and covering relevant environmental topics such as soil health, water management, fire management, riparian areas protection, biodiversity management, species selection. In addition, the Selected Project is certified under the FSC certification, with annual on-site audits conducted by an external certifier. Room for improvement includes setting a structure in charge of environmental matters to conduct regular environmental impact assessments.
- Biodiversity inventories have been conducted by external consultants and the measures to ensure biodiversity protection are appropriate, including the prohibition of using Genetically Modified Organisms (GMOs) in plantations, adopting silvicultural practices of indigenous species in riparian areas, wildlife protection programmes for fish and wild fauna, planting trees adapted to local ecosystems and conducting ecological assessments. Management plans have been developed for High Conservation Value Forest (HCVF) areas. Sumitomo Forestry complies with the National Environmental Standards for Plantation Forestry (NES-PF) in New Zealand, which prohibits motor vehicles from crossing water flows or wetlands. The Issuer carries out herbicide spraying in accordance with New Zealand Standard NZS 8409:2004 and applicable regional and district plan rules. Moreover, no chemical substances requiring a derogation from FSC are used in this project for pest control.
- Sumitomo Forestry reports that it complies with the law and regulations in New Zealand setting human rights and labour rights standards. The company supports the United Nations Global Compact. Employee contracts include contact information of New Zealand's authorities for employees to report human rights concerns. In this sense, we have recommended to formalize grievance mechanisms aimed at identifying human rights violations.
- Sumitomo Forestry has a Health and Safety Policy in place that commits to provide a healthy and safe workplace for its staff. Monitoring of indicators on injury and lost time incidents is conducted.
- The company has agreements with local groups in the region that establish the right to land and commitments to give land back to the community. Before acquisition, an external third-party conducted a review of property and litigation matters, including counterparties consents. We have recommended to formalise a system to inform communities of planned forest activities.
- Sumitomo Forestry promotes the development of local businesses within its operations through externally proposed projects that include the creation of an amusement park within the forest. In addition, other recreational activities are allowed upon approval.
- No ESG controversy related to the Selected Project have been identified.

Management of proceeds

The rules for the management of proceeds are clearly defined and should enable a documented, transparent and good allocation process.

The net proceeds of the Green Convertible Bond will be managed by Sumitomo Forestry's Finance Department in its treasury.

The Issuer has committed to immediately allocate the net proceeds to the Project. Consequently, there are no expected unallocated proceeds, nor temporary placements nor postponement of the expenditures.

In case of divestment, the Issuer is committed to reallocate the Bond proceeds to another asset subject to external review. We have recommended making the same commitment in case the Project faces ESG controversies.

We have recommended that a third-party verification of the allocation of proceeds (process and tracking method) is conducted one year after of the issuance date.

Monitoring & Reporting

The reporting commitments are overall good, covering both funds allocation and the environmental outputs and impacts. However, the process for monitoring and reporting is reportedly initiated, which is an area for improvement.

The process for ESG monitoring and reporting involves employees from Tasman Pine Forests and Sumitomo Forestry's CSR department. It is being reinforced with the appointment of employees who will intervene in this process. The entire process does not appear to be clearly defined. We have recommended formalising this process including roles and responsibilities of employees involved.

An annual Bond's reporting will be publicly available and at least until the maturity date of the Bond. The first reporting is expected to take place within 12 months after the issuance date.

An annual third party auditor verifies environmental data for this Project. We have recommended to include financial data in the scope of the external verification.

The selected reporting indicators related to the funds allocation and environmental benefits are overall relevant to the Project.

- The Issuer commits to transparently report on the Bond:

Use of proceeds	<ul style="list-style-type: none"> - Detailed description of the Project - Total Net Proceeds allocation - Share of refinancing
Environmental benefits: ex-post estimates of outputs and impacts	<ul style="list-style-type: none"> - Total size of the forest area (ha) - Harvested area (ha) - Replanted area (ha) - Certified area (ha) - Total sustainable wood/timber production volume (tons) - Carbon stocks in net CO₂ amount (tCO₂ eq.)

- The Issuer is committed to disclose the calculation methodologies and assumptions for impact indicators.

We have suggested to include quantitative and/or qualitative information on the management of the environmental and social risks of the Selected Project.

METHODOLOGY

In Vigeo Eiris' view, 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 objectives, management and reporting of the bond to be issued.

Vigeo Eiris' methodology to define and to assess corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on Forest Products & Paper Asia Pacific assessment framework, project's specificities and emerging issues.

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 will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of the Issuer and interviewed members from several departments of the Issuer.

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 Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

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

Level of the Issuer's ESG performance

The Issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 22 relevant ESG drivers organized in the 6 sustainability domains. The Issuer has been assessed by Vigeo Eiris based on 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.
- Level of assurance on Issuer's performance: reasonable, moderate, weak.

Stakeholder-related ESG controversies and involvement in controversial activities

A controversy is public information from traceable and liable sources that serves to incriminate a company on ESG issues within the scope of the Equitics© methodology. Such incriminations may relate to specific events, conflicting interpretations of events, legal procedures, proven facts or non-proven claims.

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

- 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).
- 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).

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.

In addition, 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) 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 Bond has been evaluated by Vigeo Eiris according to the Green Bond Principles and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance Eligible Projects and are traceable within the issuing organisation. Each project endorsed shall comply with at least one Eligible Project Category definition in order to be considered as an Eligible Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Bond related Eligible Project has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Projects. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of eligibility criteria and associated supporting elements integrated in the Bond issuance, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

Management of proceeds

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

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Eligible Projects (re)financed by the Green Bond proceeds, collected at project level and potentially aggregated at Bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of assessment for processes and commitments: Weak, Limited, Good, Advanced.

VIGEO EIRIS' ASSESSMENT SCALES

Level of 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 organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

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 & organisations:** 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, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 7 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan, Spain and Mexico.

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