

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Social Bond Programme

Unédic
30 June 2020

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Overall Evaluation of the Social Bond Programme

Unédic commissioned ISS ESG to assist with its Social Bond Programme by assessing three core elements to determine the sustainability quality of the Bond:

1. Unédic’s Social Bond framework – benchmarked against the International Capital Market Association’s (ICMA) Social Bond Principles (SBPs)¹.
2. The eligible social expenditures – whether the projects aligned with ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).
3. Unédic’s sustainability performance, according to the ISS ESG Corporate Rating.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Performance against SBPs	The issuer has defined a formal concept for its Social Bond Programme regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA SBPs.	Positive
Part 2: Sustainability quality of the eligible social expenditures	The overall sustainability quality of the eligible social expenditures in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG Social Bond KPIs. The eligible social expenditures include socio-economically protect against the vagaries of the job market by ensuring economic and financial security and assisting individuals with their professional (re)integration. All eligible social expenditures are directed to a highly regulated and developed country, France. Legislative frameworks in France set minimum standards, which reduce environmental and social risks.	Positive
Part 3: Issuer sustainability performance	The issuer itself shows a good sustainability performance and has been given a rating of B-, which classifies it as ‘Prime’ by the methodology of the ISS ESG Corporate Rating. It is rated 5 th out of 76 institutions within its sector as of 30.06.2020. This equates to a high relative performance, with a Decile Rank ³ of 1.	Status: Prime Rating: B- Decile Rank: 1

¹ June 2020 version, “Social Bond Principles. Voluntary Guidelines for Issuing Social Bonds”, available [here](#)

² The ISS ESG’s present evaluation will remain valid until any modification of the Social Bond Framework (June 2020 version) and as long as the Corporate Rating does not change (last modification on the 27.08.2019).

³ Rank relative to industry group. 1 indicates a high relative ESG performance, while 10 indicates a low relative ESG performance.




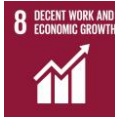
Contribution of the Social Bond Programme to the UN SDGs

Based on the assessment of the sustainability quality of the Social Bond Programme’s eligible expenditures (part II of this report) and using a proprietary methodology taking into consideration the issuer’s specific geographical and sectorial context, ISS ESG assessed the contribution of the Unédic’s Social Bond Programme to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on a 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the bond’s Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Socio-economically protect against the vagaries of the job market by ensuring economic and financial security	Significant contribution	 
Assisting individuals with their professional (re)integration	Significant contribution	 

ISS ESG SPO ASSESSMENT

PART I: SOCIAL BOND PRINCIPLES

1. Use of Proceeds

The proceeds raised by the social bond issuances will be used by Unédic to successfully carry out its mission of compensating, protecting and supporting workers, helping companies to preserve jobs in cases of economic or health crisis, and neutralising periods of job loss through the contribution to supplemental retirement regimes.

Eligible social expenditures (i.e., Unédic programmes and financing of Pôle Emploi) under this framework document are broken down into two categories which reflect Unédic’s two principal social missions:

- i. Socio-economically protect against the vagaries of the job market (dismissals, unemployment, decreases in activity, precarious employment contracts and “atypical” forms of employment (i.e., short-term and part-time contracts)) by ensuring economic and financial security (replacement income), and
- ii. Assisting individuals with their professional (re)integration, notably by developing their skills and qualifications or supporting their entrepreneurial projects or career changes. Unédic’s investments are also eligible (e.g., big data platform), but exclude operating expenditure and interest payments.

SOCIAL BOND PRINCIPLES (SBP) CATEGORY	DESCRIPTION OF ELIGIBLE EXPENDITURES	EXAMPLES OF TARGET BENEFICIARIES
i. SOCIO-ECONOMICALLY PROTECT AGAINST THE VAGARIES OF THE JOB MARKET BY ENSURING ECONOMIC AND FINANCIAL SECURITY		
<p><u>Category of SBP social projects:</u> Socio-economic development</p> <p><u>SBP target populations:</u> The unemployed, individuals living under the poverty line, excluded and/or marginalised persons, individuals with no or little diplomas</p>	<ul style="list-style-type: none"> • Benefits and allowances guaranteeing replacement income to those who are out of work involuntarily (absent certain exceptions) • Contribution to beneficiaries’ pension schemes <p><u>Including principal cases in question:</u></p> <ul style="list-style-type: none"> • Termination • Employer interrupts work • Early termination or end of fixed-term contract • Economic lay-off • Legitimate resignation tied to personal or professional reasons • Resignation in order to pursue a genuine and serious professional project • Negotiated termination • Business bankruptcy for independent workers 	<ul style="list-style-type: none"> • Jobseekers, notably those that have been out of work for a long or very long period of time (individuals with recurring unemployment) • Jobseekers who go back and forth between being employed and unemployed (discontinuous careers, short-term contracts, fixed-term contracts or part-time contracts, entertainment workers, etc.). • Workers with decreased activities due to economic circumstances (e.g., partial unemployment) • Independent workers whose businesses are being liquidated or are subject to rehabilitation proceedings

SOCIAL BOND PRINCIPLES (SBP) CATEGORY	DESCRIPTION OF ELIGIBLE EXPENDITURES	EXAMPLES OF TARGET BENEFICIARIES
ii. ASSISTING INDIVIDUALS WITH THEIR PROFESSIONAL (RE)INTEGRATION		
<p><u>Category of SBP social projects:</u> Access to basic services (education, professional training)</p> <p><u>SBP target populations:</u> The unemployed; individuals with little or no diplomas; individuals who are retraining</p>	<ul style="list-style-type: none"> • Programmes aimed at helping the return to work and professional (re)integration, skills and qualifications development, re-employment or training • Unédic contribution to Pole Emploi's operating budget 	<ul style="list-style-type: none"> • Jobseekers, and in particular low-qualified individuals and individuals with little to no diplomas • Employees who are retraining • Unemployment beneficiaries who are creating or taking over a business or are subject to rehabilitation proceedings

Besides the target populations, which are defined on the above table, eligibility criteria for and entitlements under these various programmes are precisely and granularly defined by decree.

One can empirically observe recurring characteristics among beneficiaries and recipients that confirm effective targeting of the most vulnerable populations (individuals with low education levels, women, residents of certain isolated or rural areas). These characteristics cannot be considered as eligibility criteria for social bond issuances. However, Unédic will provide information on these factors in its annual reporting.

Opinion: ISS ESG considers the Use of Proceeds description provided by Unédic's Bond Framework as aligned with the Social Bond Principles (SBPs). The eligible social expenditures and associated target populations align with the examples provided in the SBPs. The anticipated social benefits are expressed clearly in relation with the key national and international targets and contribute to the issuer's own sustainability strategy.

2. Process for Project Evaluation and Selection

Unédic's role is to implement unemployment insurance rules. With respect to the payment of benefits and supporting beneficiaries, Unédic has entrusted operational implementation to Pôle Emploi. Unédic ensures that the unemployment insurance rules are properly applied and that the services offered to jobseekers are carried out.

Eligible expenditures under the framework

The process of selecting and evaluating eligible expenditures is based on the governance of unemployment insurance in France and decrees relating to the unemployment insurance system²⁷. These texts define, for example, how workers who are deprived of work are provided compensation, the measures that promote the return to work and the safeguarding of career paths, the rules on unemployment insurance contributions and coordination measures with other unemployment insurance regimes or allowances. A set of criteria relating to both contributions and services exists. The relevance of the criteria is regularly evaluated, including by Unédic, so that programmes can be monitored to avoid deficiencies, misappropriations, windfall effects, and social inequity (examples: abusive use of short-term contracts, disincentivising the return to work).

Eligibility for unemployment insurance benefits is determined in light of various factors. The individual must:

- have worked sufficiently to be eligible
- have involuntarily lost his/her employment (with the exception of certain limited circumstances)
- be signed up as a jobseeker
- actively seek employment
- be able to work
- not have reached the age to be eligible for retirement at the full rate
- live in France

The conditions on affiliation with the various programmes can depend on:

- The entitlements the individual has accrued (duration of benefit payments, seniority within the former employer), and/or
- The individual's situation (loss of employment due to a dismissal, legitimate resignation, independent workers who have reported a bankrupt business, etc.), and/or
- Ongoing or future commitments made by the benefit recipient or beneficiary (e.g., attending training required by Pôle Emploi, creation or takeover of a business, job search within the framework of a personalised job access plan).

Finally, it should be noted that the programmes are subject to benefit caps and benefit payment periods, and that recipients' family situations can sometimes be taken into account (e.g., makeup of the household) for the purpose of adjusting the assistance or benefits but also to avoid potential windfall effects. Jobseekers are required to take positive steps to search for employment. The Unemployment Insurance system encourages the return to work, even if it is a small amount of work, and protects individuals from being excluded from the labour market by maintaining and even developing their skillset, made possible by the combination of benefits with employment income.

Social Bond Committee

Unédic has set up a Social Bond Committee which is responsible the governance of this social bond framework. At minimum, the Social Bond Committee is made up of representatives of the Finance and Treasury, Studies & Analysis, and Information and Communications departments. Other departments may be called in to participate as necessary.

The Committee will meet regularly in order to carry out the following missions:

- Examine and approve the eligible expenditures selection proposed by the Finance and Treasury Department in view of the eligible expenditure categories defined in the "Use of Proceeds" section
- Propose to replace certain expenditures if they no longer respond to the eligibility criteria
- Manage any change or update to the social bond framework
- Examine and approve the annual allocation report and the impact report aimed at investors
- Liaise with external reviewers (Second Opinion and verifier)

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by Unédic's Social Bond Framework as aligned with the Social Bond Principles. Detailed and transparent eligibility criteria are publicly displayed in the Framework and a robust process for evaluation and selection of the eligible expenditures is in place. Responsibilities and accountability for this process are clearly defined and spread among internal stakeholders with relevant expertise.

3. Management of Proceeds

The proceeds raised through each social bond issuance will be managed by Unédic's Finance and Treasury Department, and an amount equivalent to the proceeds raised will be allocated to financing or refinancing expenditures identified as being eligible under the social eligibility criteria.

The Social Bond Committee will monitor the allocation of proceeds from each social bond issuance.

Priority in allocating the proceeds will be given to eligible financing expenditures. In the case of a refinancing, the lookback period will be capped at 36 months before the date of each social bond issuance.

The Social Bond Committee will monitor the allocation of proceeds and will decide annually on the earmarking of proceeds to eligible disbursements.

Unédic will use its best efforts to allocate the proceeds raised to eligible expenditures within no more than 24 months after each issuance.

Proceeds raised but not yet allocated will be managed by Unédic's treasury management teams. This liquidity will be invested in accordance with Unédic's liquidity buffer management rules. To the extent it can diversify, the treasury management teams will invest this liquidity in responsible investment funds, on a best effort basis.

Opinion: ISS ESG finds that Management of Proceeds proposed by Unédic's Social Bond Framework is aligned with the Social Bond Principles. Appropriate mechanisms to track the proceeds of the bond(s) are in place and the expected allocation period is defined. A look-back period for refinancing is stated which aligns with best market practices.

4. Reporting

Unédic undertakes to publish an annual report on the allocation of the proceeds raised through the social bond issuances as well as impact metrics, at least until the proceeds are fully allocated and in the event of any subsequent significant change in allocation.

Allocation and impact reports will be submitted to the Social Bond Committee for review and approval. They will be audited annually by an external auditor selected by Unédic until the proceeds are fully allocated. The allocation report and impact report will be made available to investors on Unédic's website.

Allocation report

Unédic undertakes to make the allocation of the proceeds public. Below is an indicative list of indicators:

- The aggregate amount of funds allocated to date
- Financing versus refinancing share
- The aggregate amount of proceeds awaiting allocation and the type of temporary investment
- The breakdown of funds assigned by eligible category and by underlying programme, as the case may be
- Regarding programmes that are co-financed by other entities (e.g., the French state), the percentage financed by Unédic

Impact report

Unédic commits itself to provide information about the benefits and social impacts that are reasonably tied to the expenditures (re)financed through the social bond until full allocation of proceeds.

Due to the systemic nature of unemployment insurance programmes, data relating to employment in France and the situation of jobseekers (example: duration of unemployment, part time experience, etc.) and businesses (e.g., recruitment difficulties) can be provided for the purpose of providing perspective. However, no direct causal link can be made between the programmes (re)financed with the social bonds and more macro-social indicators. However, Unédic's spending ratios relative to social expenditures or GDP may be provided for the purpose of illustrating the scope or magnitude of redistribution by the Unemployment Insurance system in France and its role as an economic stabiliser.

Strategic performance indicators included in the tripartite conventions²⁸ between the French state, Unédic and Pôle Emploi will serve as a basis for the impact reports published in the context of Unédic's social bond issuances.

To understand the beneficiaries of these programmes, two things need to be considered and may be included in the impact reports:

1. The explicit eligibility and/or entitlement criteria for the programmes as defined by decree (e.g., affiliation conditions, supporting information regarding a professional retraining project).
2. The sociology of the beneficiaries or recipients observed ex post (overrepresentation of populations with little or no diplomas, single mothers, residents of certain isolated or rural areas). The national beneficiary file and Unédic's work²⁹ provide information about the characteristics observed on a recurring basis among beneficiaries, demonstrating through data that the programmes actually benefit vulnerable populations.

Unédic's work will provide information for these reports, sometimes through in-depth investigations (longitudinal monitoring of beneficiaries, efficiency analysis over a programme with a control group, interviews and satisfaction surveys of beneficiaries, etc.). Works carried out by or in collaboration with the French Employment Ministry or other entities may also provide information for these reports. Examples of possible impact indicators are provided in the Unédic's Social Bond Framework⁴.

Opinion: ISS ESG finds that the reporting proposed by Unédic's Social Bond Framework is in line with the Social Bond Principles. The process for monitoring of and reporting on allocation and impact is formalized. The level, frequency, scope and duration of allocation and impact reporting are clearly defined, and examples of reported information are provided.

⁴ <https://www.unedic.org/investors>

External review

Second Party Opinion

Unédic has mandated ISS ESG as second party opinion provider. This evaluation covers the social bond frameworks' transparency, governance and conformity with ICMA's 2020 Social Bond Principles and the contribution to the UN Sustainable Development Goals (SDGs).

Any significant change to this document will be subject to a review by the second party opinion provider.

Independent verifier

Each year and until such time as the proceeds have been fully allocated, an independent auditor will verify the following information on a yearly basis:

- Assignment of proceeds to eligible expenditures
- Compliance of the expenditures financed by the proceeds with the eligibility criteria defined in the "Use of Proceeds" and "Management of Proceeds" section of this framework.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBLE SOCIAL EXPENDITURES

i. Socio-economically protect against the vagaries of the job market by ensuring economic and financial security

As a Use of Proceeds category, socio-economically protect against the vagaries of the job market by ensuring economic and financial security has a significant contribution to the SDGs 1 “No poverty” and 10 “Reduced inequalities”.

Additionally, ISS ESG assessed the schemes to be (re-)financed through this programme against a set of KPIs reflecting the key social risks associated with this project category. The table below presents the findings of this assessment. All schemes are to be granted in France.

ASSESSMENT AGAINST ISS ESG KPIs

1. Poverty risk

- ✓ All schemes provide for a substantial help to beneficiaries, especially for those living close to the poverty line. Thus, schemes contribute to lowering the risk of poverty in France, where it is assessed as lower-medium level of risk by ISS ESG.
- ✓ For most schemes, benefits are stable and frequently allocated as long as beneficiaries comply with actions for actual job search and rules. Any change in benefit entitlement is appropriately notified to beneficiaries in due time. Benefits gradual decrease however apply to schemes targeting job seekers with former high salary.
- ✓ For all schemes, procedures are in place to orientate beneficiaries transferring from the schemes to other income replacement schemes or social minima (e.g. advisory services).

2. Non-discrimination and inclusive access to schemes

- ✓ For all schemes, high social standards regarding non-discrimination are in place (e.g. measures to promote equal access to employment, mechanisms to defend victims of discrimination).

3. Governance structures

- ✓ For all schemes, independent oversight or supervisory bodies are in place (e.g. independent from government and state agencies).
- ✓ All schemes provide full, understandable and easily accessible information to beneficiaries and claimants on their rights and entitlements.
- ✓ For all schemes, grievance mechanisms are in place (e.g. appeal bodies, complaint procedures easily available to claimants and beneficiaries).

Controversy assessment

Due to the type of eligible expenditures (e.g. benefits granted to individuals), ISS ESG did not conduct a scheme-level controversy screening.

ii. Assisting individuals with their professional (re)integration

As a Use of Proceeds category, assisting individuals with their professional (re)integration has a significant contribution to the SDGs 4 “Quality education” and 8 “Decent work and economic growth”.

Additionally, ISS ESG assessed the schemes to be (re-)financed through this programme against a set of KPIs reflecting the key social risks associated with this project category. The table below presents the findings of this assessment. All schemes are to be granted in France.

ASSESSMENT AGAINST ISS ESG KPIs

1. Access to schemes

- ✓ For all schemes, measures are in place to ensure that claimants have access to appropriate programmes to help them (re)insert professionally (e.g. claimants' need assessment).
- ✓ For all schemes, high social standards regarding non-discrimination and equal-opportunity are in place.

2. Free, fairly priced and/or subsidised participation schemes

- ✓ All schemes are free of charge for jobseeker, or heavily subsidised, or financed by unemployment insurance, regions or specific agencies.

3. Governance structures

- ✓ For all schemes, strong quality management processes and supervising bodies are in place.

4. Labour standards

- ✓ Most of the schemes aim to ease professional (re)integration in France, where high labour and health and safety standards at the workplace are ensured by national legislation (e.g. ILO Core Conventions). The remaining schemes are dedicated to international work opportunities for which such standards cannot always be ensured.

Controversy assessment

Due to the type of eligible expenditures (e.g. programmes offered to individuals), ISS ESG did not conduct a scheme-level controversy screening.

PART III: ASSESSMENT OF UNÉDIC'S ESG PERFORMANCE

The ISS ESG Corporate Rating provides a rating and then designates a company as 'Prime⁵' or 'Not Prime' based on its performance relative to the industry sector. It is also assigned a Decile Rank, indicating this relative industry group performance, with 1 indicating a high relative ESG performance, and 10 a low relative ESG performance.

COMPANY	STATUS	Rating	DECILE RANK
UNÉDIC	PRIME	B-	1

This means that the company performed well in terms of sustainability, both compared against others in the industry and in terms of the industry-specific requirements defined by ISS ESG. In ISS ESG's view, the securities issued by the company therefore all meet the basic requirements for sustainable investments.

As of 30.06.2020, this rating places Unédic 5th out of 76 companies rated by ISS ESG in the Specialised Finance sector.

Key Challenges facing companies in term of sustainability management in this sector are:

- Sustainability impacts of lending and other financial services/products
- Customer and product responsibility
- Labour standards and working conditions
- Products and services with social and environmental benefits.

In two of the key issues, Unédic rates above the average for the sector. A very significant outperformance was achieved in "Products and services with social and environmental benefits".

The company does not face any significant controversy.

Details on the rating of the issuer can be found in Annex 1.

⁵ Prime is only awarded to the top sector performers, often less than 10% of companies within the respective sector.

DISCLAIMER

1. Validity of the SPO: For Unédic's potential Social Bond issuances until any modification to the Social Bond Framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Unédic's 2020 ISS ESG Corporate Rating.

Unedic

Corporate ESG Performance
Prime
 RATED BY
ISS ESG

Company Information

Country
France

ISIN
FR0124665995

Industry
Financials/Specialised Finance

Key Results

Rating
B-

Decile Rank
1

Transparency Level
High

Status
Prime

Performance score
66

Prime Threshold
C

Absolute Rating

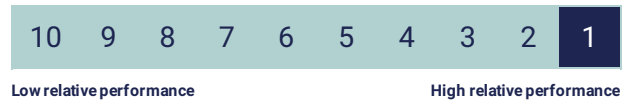


The assessment of a company's sustainability performance is based on approximately 100 criteria, selected specifically for each industry. A company's failure to disclose, or lack of transparency, regarding these matters will impact a company's rating negatively.

Transparency Level



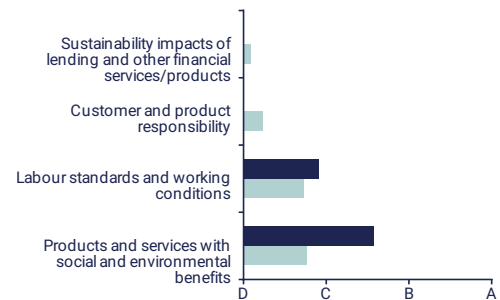
Decile Rank



Industry Leaders

Company name (in alphabetical order)	Country	Grade
Evangelische Bank eG	DE	B+
Hannon Armstrong Sustainable Infrastructure Capital Inc.	US	B
UmweltBank AG	DE	B+

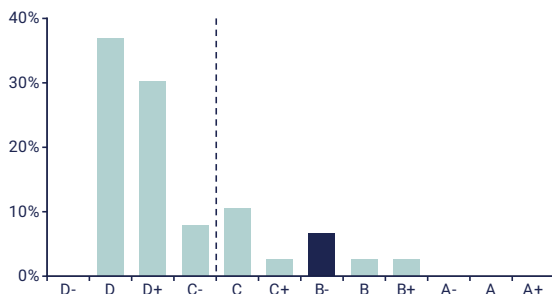
Key Issue Performance



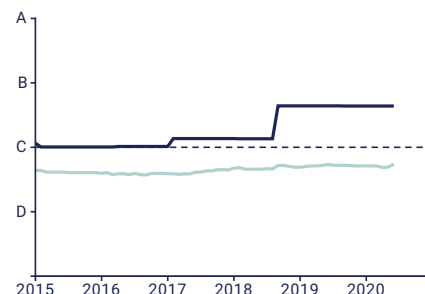
Legend: ■ Industry ■ Company --- Prime

Distribution of Ratings

76 companies in the industry



Rating History



Unedic

Analyst Opinion

Sustainability Opportunities

Unédic is a non-profit financial intermediary for the funding and management of the unemployment insurance scheme in France. A joint operation between French employer associations and trade unions, the Unedic raises funds on global capital markets for the payment of obligations under the French unemployment scheme. Thus, the business model is entirely dedicated to the maintenance of the French welfare state and contributes significantly to the achievement of global sustainability targets, for instance, the prevention of poverty and the reduction of inequalities.

Sustainability Risks

Unédic acts as a financial intermediary on behalf of the French social partners, employer associations and trade unions, and through its operations ensures the financial management of the unemployment insurance scheme. Consequently, business-induced risks remain largely absent, especially as all proceeds are passed on to individuals in France, a country with fairly high statutory minimum standards. With under five hundred employees its staff-related risks appear manageable, especially since its own employees enjoy the relatively high labour standards in France. Although not prone to any misconduct, Unédic does not demonstrate how it tackles business ethics-related risks.

Governance Opinion

Unédic is a non-profit organisation in the legal form of an association under law 1901, a special French form of collective action association. The organisation is supervised by a fifty member administrative council, equally composed of members from business associations and trade unions. Ten of the members in the council, five representing again each party, are delegated to a 'bureau', the unit comparable to a board of directors. The president of the administrative council serves simultaneously in the 'bureau', too. However, the company's executive management is nominated by the bureau and there is no significant influence of any of the bureau members. This holds true especially to the president of the bureau, which is selected for a period of two years alternatingly representing the employee and the employer side. There is an independent audit committee on the level of the bureau in place, which also has additional members from outside the bureau. Further committees regarding remuneration appear to be missing. The organisation does not disclose its remuneration policy for executives. It remains unclear whether important elements for sustainable value creation such as long-term incentive components are integrated into the remuneration of the company's executive management team.

With regard to its governance of sustainability, there are no indications of an independent committee in charge of sustainability matters nor of integration of ESG factors into variable remuneration of the executives. Although its business model makes the organisation rather unsusceptible to compliance risks, Unédic does not demonstrate how it fosters business ethics through a code of conduct or prudent compliance procedures.

Unedic

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Controversial Business Practices - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

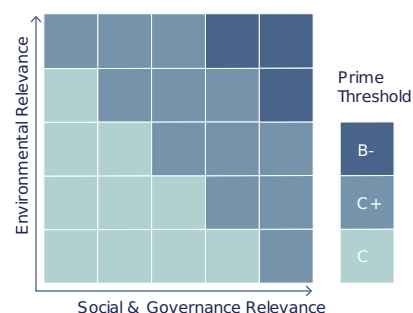
Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

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Methodology - Overview

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Social Bond KPIs

The ISS ESG Social Bond KPIs serves as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Unédic’s Social Bond Programme.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value in relation with the UN SDGs, and secondly the specific sustainability criteria by means of which this added value and the associated environmental and social risks management can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Asset evaluation methodology

ISS ESG evaluates whether the schemes included in the eligible expenditures match the eligible project category and criteria listed in the Social Bond KPIs.

All percentages refer to the amount of schemes within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” represented by a red circle, either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Social Bond KPIs. ISS ESG requires a minimum of 50% of the eligible expenditures to positively qualify against the KPIs, represented by a green tick.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Unédic (e.g. Social Bond Framework, confirmations to complement publicly available information and documentation). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary methodology taking into consideration the issuer’s specific geographical and sectorial context, ISS ESG identifies the extent to which Unédic’s Social Bond Programme contributes to related SDGs and has a positive association with their respective sub-targets.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, and this Social Bond Programme, contact:

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