

REPORT OF FACTUAL FINDINGS (AGREED-UPON PROCEDURE)

By Vigeo Eiris
For Société Générale SFH's 2019 first Climate Covered Bond issuance
Pre-issuance verification based on Climate Bonds Standards version 2.1
July 4th, 2019.

SCOPE

Société Générale SFH is considering the issuance of a Green Covered Bond in 2019 (hereafter the "Bond") and intends to use the proceeds to refinance Green Loan Mortgages (the "Eligible Loans").

In this context, Vigeo Eiris (the "Verifier") has been commissioned, as an independent third-party provider approved by the Climate Bonds Standards Board, by Société Générale SFH (the "Issuer") to perform the Pre-Issuance Verification of the Bond. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 2.1 requirements (i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Climate Bonds Initiative Low Carbon Buildings Standard Version 1.0)

The work undertaken by Vigeo Eiris to form this verification statement included:

- Planning and management of the verification
- Desk review of the Bond and associated documentation provided by the Issuer
- Assessment of evidences provided by Société Générale SFH against the Climate Bonds Standards 2.1 and the sector standard and technical criteria.
- Internal quality control on the assurance report and conclusions
- Provision of Vigeo Eiris' report of factual findings

We have conducted our pre-issuance verification between May 29th and July 4nd 2019. The methodology, criteria, findings and assurances addressed by this Agreed-Upon Procedure are in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Related Services 4400 (ISRS 4400).

RESPONSIBILITIES OF THE ISSUER AND OF VIGEO EIRIS

This statement relies on the information provided by the Issuer to the Verifier: documentation and explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris has not performed any audit nor other test to check the accuracy of the information provided by the Issuer.

The Issuer is fully responsible for attesting the compliance with its commitments as defined in its policies, for their implementation and their monitoring, and for the information provided.

SUMMARY OF FACTUAL FINDINGS

The proceeds from the Bond will be allocated to residential mortgage loans directed to low carbon buildings, for which environmental objectives have been set in the Positive Impact Covered Bond Framework -the "Framework"- (based on the latest version forwarded to Vigeo Eiris on June 26th, 2019). These resources will be used to refinance, in full or in part, the Eligible Loans. The Loans fall under the 'Low Carbon Buildings' classification under 'Low Carbon Buildings' head of Climate Bonds Criteria and fill in two technical criteria from the sector-specific standards. The Issuer took the commitment to review the bond after one year to reaffirm conformance with the Climate Bonds Standard.

This Report of factual findings is valid as of the date of issuance and limited to Société Générale SFH's Green Covered Bond. It is provided by Vigeo Eiris to the Issuer and the Climate Bonds Initiative.

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 4 audit missions for the Société Générale and its subsidiaries during the past 5 years, until so far. No established relationship (financial or others) exists between Vigeo Eiris and the Issuer.

Liability: this Report of factual findings is a document prepared by the Verifier that conveys the Verifier's findings on the Bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing these findings does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Green Bond. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bond, nor the value of any investment in the Bond, nor of the environmental footprint of the Bond or the compliance with the commitments taken by the Issuer.

Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Issuer. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction.

Restriction on Distribution and Use of this Factual Findings Report: at the discretion of the Issuer.

VERIFICATION CRITERIA & FINDINGS

The evidence, information and explanations supporting the Bond issuance provided by Société Générale SFH to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the Bond, to be implemented over the term of the Bond).

The Issuer showed a high responsiveness in providing information to the Verifier. We consider that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

Summary criteria for assertions of compliance with the pre-issuance requirements of Climate Bonds Standards version 2.1

Vigeo Eiris has assessed Société Générale SFH's 2019 first Green Bond and the nominated projects and assets against criteria and requirements detailed within the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
 1. Selection of Nominated Projects & Assets
 2. Internal Processes & Controls
 3. Reporting Prior to Issuance
- Part B: Climate Bonds Initiative Low Carbon Buildings Standard (Version 1.0)

Assessment of Société Générale SFH's 2019 first Green Bond against Pre-Issuance Requirements of the Climate Bonds Standard

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
Clause 1.1 Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Loans.	<p>The Positive Impact Covered Bond Framework indicate that the proceeds will exclusively refinance, in part or in full, projects falling into one Eligible Category of Projects ("Eligible Loans") namely: Green Residential Mortgages.</p> <p>A decision-making process is detailed within the Framework and complemented by internal documentation. The Issuer has created a Positive Impact Covered Bond Committee to ensure the respect of the Framework and oversee the issuance process. This Committee is composed of relevant employees within the Issuer's mother company (Société Générale) and members of the project team.</p>	None.

	<p>The process relies on a methodology for the selection of Eligible Loans, which was developed by an independent third-party to ensure that the Green Mortgage Loans to be financed are directed to Loans respecting the criteria describe in Part B: Climate Bonds Criteria and Sector-Specific Standards of this report.</p>	
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CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
<p>This includes, without limitation: 1.1.1. a statement on the environmental objectives of the bond</p>	<p>Société Générale SFH's Positive Impact Covered Bond Framework includes the objectives of the Portfolio of Eligible Loans, which are:</p> <ul style="list-style-type: none"> - GHG emissions avoidance (estimated at 15,926 tCO₂eq per year). - Energy savings (estimated at 90,695 MWh per year). <p>The calculation of avoided emissions and energy savings is based on a survey conducted by a third-party (Phebus), which compares the baseline energy consumption of a baseline dwelling (single-family and multi-family) in mainline France, against an RT 2012 dwelling.</p>	None
<p>1.1.2. a process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bonds Standard</p>	<p>The Positive Impact Covered Bond Framework defines within the “Green Residential Mortgages” category (Use of Proceeds section) the Eligible Projects, which include Private dwellings (or single-family dwellings, as per the Issuer’s Framework) and Multifamily residential buildings.</p> <p>These projects meet the eligibility requirements of the Climate Bonds Standard as they fall in the ‘Residential buildings’ classification under ‘Buildings’ head of Climate Bonds Criteria (see Part B).</p>	None

Clause 1.2	The Positive Impact Covered Bond Framework states that the Bond Committee will be responsible for reviewing the compliance of the Eligible projects with the Eligibility criteria based on a dedicated methodology evaluating, among other things, the age of the buildings, occupancy and the performance of buildings based on their energy efficiency and GHG emissions.	None
The Issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the Bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bonds Standard.		

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
1. Selection of Nominated Projects & Assets		
Clause 1.3 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Loans which can be kept up-to-date during the term of the bond.	The Issuer has defined a portfolio of Eligible Green Loans, which is internally documented and present the main characteristics of the Loans.	None
Clause 1.4 Nominated Projects & Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.	The Issuer confirms that the Eligible Loans have not been nominated to another Climate Bond. This can be confirmed through the absence of the Eligible Loans within the Climate Bonds Initiative's database.	None

Clause 1.5			
	The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects & Assets, or the Fair Market Value of the proposed Nominated Projects & Assets.	The Issuer has presented to Vigeo Eiris the portfolio of Eligible Loans, with the associated monetary value. When compared to the expected Bond Issuance, then net proceeds represent approximately one-third of the total Eligible Loans portfolio.	None

CBI requirements		Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements			
2. Internal Processes & Controls			
Clause 2.1			
	2.1. The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:	Société Générale SFH's Positive Impact Covered Bond Framework formalizes the mechanisms for the management of net proceeds, which has been presented to Vigeo Eiris.	None
	2.1.1. Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.	The issuer reports that the net proceeds will be held in the Société Générale Group's Treasury, flagged and tracked into the internal Group Treasury IT system dedicated to Société Générale SFH, segregating all the assets refinanced.	None

	<p>2.1.2. Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2</p>	<p>The Issuer commits to allocate 100% of net proceeds immediately after Issuance. Therefore, no unallocated proceeds are expected to be outstanding.</p>	<p>None</p>
	<p>6.2.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p>		
	<p>6.2.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p>		
	<p>6.2.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>		

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part A: General Requirements		
2. Internal Processes & Controls		
	<p>2.1.3. Earmarking funds to Nominated Projects & Assets: An earmarking process that can be used to manage and account for funding to the Nominated Project and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p> <p>The share of refinancing is estimated to be at 100% and will refinance Eligible Loans with an initial drawdown starting after January 1st, 2015.</p> <p>The Issuer commits to allocate 100% of the net proceeds at issuance and within a financial structure that is in place for the sole purpose of financing housing loans and holding securities.</p> <p>The Issuer will maintain an up-to-date internal monitoring mechanism to ensure that the net proceeds match the amount of Eligible Loans within its portfolio.</p>	<p>None</p>

3. Reporting to issuance		
Clause 3.1		
	<p>3.1. The Issuer shall disclose in the Bond Disclosure Documentation:</p>	None
	<p>3.1.1. The investment areas, as provided in Clause 9.1, into which the Selected Project fall.</p>	
	<p>3.1.2. The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.</p>	None.
	<p>3.1.3. The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).</p>	None
	<p>3.1.4. Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
Part B: Climate Bonds Criteria and Sector-Specific Standards		
Technical criteria for Eligible Projects & Assets: Low Carbon Buildings		
<p>1. The Eligible Projects relating to low carbon buildings shall be projects & assets that operate or are under construction to operate in one or more of the following activities:</p>	<p>As indicated in the Framework, the Eligible projects fall under the Building criteria (September 2018):</p> <ul style="list-style-type: none"> - Private dwellings: Eligible projects falling in this sub-category will belong the top 15% low carbon buildings at national level. - Multifamily residential buildings: Eligible projects falling in this sub-category will belong the top 15% low carbon buildings at national level. 	<p>The Issuer reports that the 15% best performance buildings is applied at national level due to limited availability of reliable and relevant data to adopt a city or regional level approach.</p> <p>The issuer reports that, according to the methodology developed by an external consultant, buildings comply with the approved proxy for new residential buildings with Thermal Regulation RT2012 standard where the mid-point of the bond term is no later than 30 June 2025. Residential property built with a construction permit issued after January 1st, 2013 is deemed to be eligible.</p> <p>For information, no other certification mechanisms are considered.</p>
<p>1.1. Residential buildings</p>		
<p>1.1.1. Private dwellings</p>		
<p>1.1.2. Multifamily residential buildings</p>		

1.2. Commercial buildings	Not applicable	None
1.3. Other types of buildings	Not applicable	None

List of supporting documents provided by Société Générale SFH:

- Société Générale SFH's Positive Impact Covered Bond Framework (June 2019).
- Positive Impact Covered Bond Program - Internal Methodology for assets selection and impact measurement (June 2019).
- Email exchanges between the Issuer and Vigeo Eiris.
- Answers to Vigeo Eiris questionnaire.



Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

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.

For more information: www.vigeo-eiris.com