

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green, Social and Sustainability Bond Framework

Région Auvergne-Rhône-Alpes
3 September 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Green bonds• Social bonds• Sustainability bonds
Relevant standards	<ul style="list-style-type: none">• Green and Social Bond Principles, and Sustainability Bond Guidelines, as administered by ICMA
Scope of verification	<ul style="list-style-type: none">• Région Auvergne-Rhône-Alpes Green, Social and Sustainability Bond Framework (as of 27.08.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as Région Auvergne-Rhône-Alpes' Green, Social and Sustainability Bond Framework remains unchanged

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Scope of work

Région Auvergne-Rhône-Alpes ('the issuer' or 'the region') commissioned ISS ESG to assist with its Green, Social and Sustainability Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. Green, and Social bonds link to the region's sustainability strategy – drawing on the region's overall sustainability profile and issuance-specific Use of Proceeds categories.
2. The region's Green, Social and Sustainability Bond Framework (27.08.2021 version) – benchmarked against the International Capital Market Association's (ICMA) GBPs, SBPs and SBGs.
3. The eligible categories – whether the projects contribute positively to the UN SDGs and perform against ISS ESG's issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Green, Social and Sustainability bonds link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Country Rating published on 06.05.2021, France, the country in which the region is located, shows a good sustainability performance against its peer group on key ESG issues faced by the sovereigns. France is ranking 18th out of 121 countries rated by ISS ESG.</p> <p>The Use of Proceeds categories (re)financed under the Green, Social and Sustainability Bond Framework of the region are consistent with the issuer's sustainability strategy and material ESG topics for sovereign and sub-sovereign issuers. The rationale for issuing Green, Social and Sustainability Bonds is described by the issuer</p>	<p>Consistent with issuer's sustainability strategy</p>
<p>Part 2:</p> <p>Alignment with GBPs, SBPs and SBGs.</p>	<p>The issuer has defined a formal concept for its Green, Social and Sustainability bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs, SBPs and SBGs.</p> <p>The overall sustainability quality of the Eligible categories in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The Green, Social and Sustainability bonds will (re-)finance eligible asset categories which include:</p> <ul style="list-style-type: none"> - Eligible Green Activities (Green buildings & energy efficiency, renewable energy, Clean transportation, Pollution prevention and control, Sustainable water and wastewater management) - Eligible Social Activities (Health, Digital Inclusion, Social Inclusion, Education et culture, Affordable Housing, Socioeconomic Advancement and Empowerment) <p>Those use of proceeds categories have a significant contribution to SDGs 1 'No Poverty', 3 'Good Health and Well-being', 4 'Quality Education', 6 'Clean Water and Sanitation', 7 'Affordable and clean energy', 8 'Decent Work and Economic Growth', 10 'Reducing Inequality', 11 'Sustainable cities and communities', 12 'Affordable and clean energy', 13 'Climate action'.</p> <p>The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Aligned</p>
<p>Part 3:</p> <p>Sustainability quality of the Eligible categories</p>	<p>Those use of proceeds categories have a significant contribution to SDGs 1 'No Poverty', 3 'Good Health and Well-being', 4 'Quality Education', 6 'Clean Water and Sanitation', 7 'Affordable and clean energy', 8 'Decent Work and Economic Growth', 10 'Reducing Inequality', 11 'Sustainable cities and communities', 12 'Affordable and clean energy', 13 'Climate action'.</p> <p>The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	<p>Positive</p>

¹ ISS ESG's evaluation is based on the Région Auvergne-Rhône-Alpes Framework (27.08.2021 version), on the analysed Green and Social selection criteria as received on the 11.05.2021, and on the ISS ESG Country Rating applicable for France at the SPO delivery date (updated on the 06.05.2021).

ISS ESG SPO ASSESSMENT

PART I: GREEN, SOCIAL AND SUSTAINABILITY BONDS LINK TO THE REGION'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF FRANCE ESG PERFORMANCE

The ISS ESG Country Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. For the purpose of assessing Région Auvergne-Rhône-Alpes's ESG performance, ISS ESG used France Country Rating as a basis for this assessment.

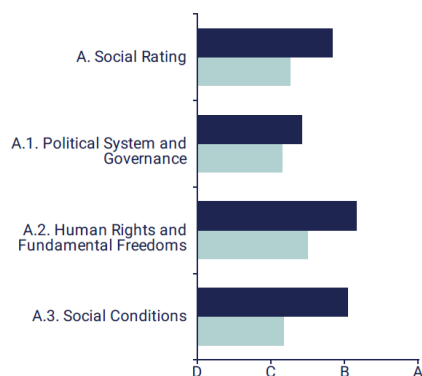
COUNTRY	RATING	STATUS	DECILE RANK
FRANCE	B -	PRIME	2

ESG performance

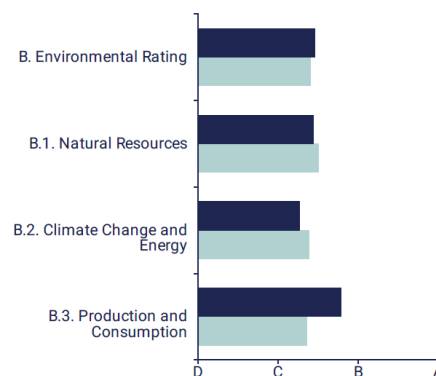
As of 14.06.2021, this Rating places France 18th out of 121 countries rated by ISS ESG in its Country Rating Universe.

Key challenges faced by sovereign issuers in terms of sustainability management are displayed in the charts below, as well as France's performance against those key challenges in comparison to the average countries in universe performance.

Governance and Social Performance



Environment Performance



Legend: ■ Universe ■ Country

Governance Opinion

France is a semi-presidential democratic republic. The last election to the Assemblée Nationale, the French parliament, took place in June 2017, and resulted in an absolute majority of the pro-European liberal centrists of La République En Marche (REM). Earlier in 2017, presidential elections were won by REM-founder Emmanuel Macron over the populist right-wing Marine Le Pen.

The rule of law in France is generally well respected, and institutions operate under a functioning balance of powers. Confidence in the country's institutions is generally high and the level of perceived corruption is at an uncritical level. There are no gross human rights violations, though the strict

tradition of state and church leads to some restrictions of religious expression in public. While women in the meantime have achieved to be represented in politics at par, in the economy there is still a gap to be closed.

With regard to foreign affairs, the country is a permanent member of the United Nations Security Council and possesses nuclear weapons since the 1960s. France is involved in several conflicts in the world, e.g. in a support mission against Islamist insurgents in Mali. This is also reflected in the country's relatively high level of military spending, which stood at 2.3% of GDP in 2017.

Social Opinion

France can be characterised as a European-style welfare state with high spending on social security (about 23% of GDP in 2015) and public services. Very high public health expenditures translate into a very high level of access to healthcare. Education stands generally at a good level, but spending has decreased in recent years relative to GDP.

Strong trade unions and strict labor laws ensure progressive working conditions. However, labor market rigidities and weak economic performance have hampered employment rates in recent years, especially with regard to the country's high youth unemployment.

The welfare state also redistributes some of the inequities of society, income and wealth inequality is on a relatively low level as well as poverty, even in relative terms.

Environmental opinion

France's greenhouse gas emissions are on more or less low level for an industrialised country and the country is committed to further national and international climate policy action in the future. Yet, greenhouse gas emissions exhibit an increasing trend overall. The emissions come at the price of the dangers entailed by the vast use of nuclear energy for electricity generation. More than 70% of all electricity and approximately 41.7% of all primary energy supplies in France emanate from nuclear power plants.

France is a forest-rich, medium-densely populated country with a large share of protected areas and a reasonable level of biodiversity. Yet, fish and other animal species are under significant threat of extinction. There is no immediate water stress in most areas of France but marine pollution remains a problem.

Agriculture, which is still more important in France than in the rest of Western Europe, is comparably sustainable, with high shares of certified forests and organic cultivation. Industry is quite efficient with material inputs and the companies exhibit a rather high level of ESG performance, not least owing to tight regulations.

Sustainability summary

France is characterized by a system of high political stability, despite the populist threat from left and right-wing contenders. While the economic situation has somewhat relaxed recently, France's deficiencies on the labor market could be resolved – if not at the cost of cutting the very high standards currently prevailing. France has become one of the frontrunners in international climate policy action, particularly in the sustainable finance area. The high share of nuclear energy alleviates this burden to a good extent in regard to greenhouse gas emissions, while also bringing along future unresolved issues to the environment in regard to nuclear waste.

Controversy Assessment at country level

The share of nuclear energy in the country reaches approximately 41.7% of all primary energy supplies in France (while more than 70% of all electricity emanate from nuclear plants). While this energy mix enables France's greenhouse gas emissions to be on low level for an industrialized country, it is considered detrimental for the environment due to the unsolved issue of nuclear waste and also has negative implications for public health in case of an accident (precautionary principle in environmental international law is disregarded).

However, it is worth noting that the issuer will not finance nuclear energy projects under this Framework as this category is part of the exclusion list.

B. CONSISTENCY OF GREEN, SOCIAL AND SUSTAINABILITY BONDS WITH THE REGION'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

Since its creation in 2016, the region has been launching a sustainable development strategy. Driven by French regulations from 2015 giving more responsibilities to French regions regarding energy and ecology transition, the issuer qualifies itself as a key player to implement policies on energy, air and climate in collaboration with the French state. Further to its environmental engagements, the region also defines social cohesion, solidarity and sustainable communities as at the core of its engagement with its citizens.

The region's key sustainability engagements are described below:

- Environmental impacts
 - Invest in clean energy
 - Prevent and manage waste
 - Clean transportation to boost air quality and investment in green transport technologies
- Social impacts
 - Ensure equal access to resources, employment, healthcare, culture, local services and citizenship expression e.g. via harmonized transportation systems throughout the region and support of vulnerable communities such as students and unemployed people
 - Support creation of social cohesion, intergeneration and inter-regions solidarities and exchanges through transborder collaboration and support to universities.
 - Fight against discrimination
 - Boost rural areas and vulnerable neighborhood

In 2019, the region adopted the 'Schéma Régional d'Aménagement de Développement Durable et d'Égalité des Territoires'² (SRADDET) in which it set quantitative targets related to the objectives mentioned above (e.g., reduce the energy consumption by 23% per inhabitant by 2030 from a 2015 baseline year, increase the renewable energy production by 54% by 2030 from a 2015 baseline year)

² <https://fr.calameo.com/read/00011978182e4013b27e1>

Rationale for issuance

The issuance of Green, Social and Sustainability Bonds is a way to match the financing of the region with its ambitions in terms of sustainable development, but also to communicate to the general public and institutional investors on its commitments.

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Green, Social and Sustainability Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG challenges relevant for sovereigns and sub-sovereigns issuers as defined in the ISS ESG Country Rating methodology. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Green buildings & Energy efficiency	✓	✓	Contribution to a material objective
Renewable energy	✓	✓	Contribution to a material objective
Clean transportation	✓	✓	Contribution to a material objective
Waste management and reduction	✓	✓	Contribution to a material objective
Sustainable water management & wastewater management	✓	✓	Contribution to a material objective
Healthcare	✓	✓	Contribution to a material objective
Access to basic services	✓	✓	Contribution to a material objective
Affordable housing	✓	✓	Contribution to a material objective
Economic and social development	✓	✓	Contribution to a material objective

Opinion: ISS ESG finds that the Use of Proceeds financed through the bonds are consistent with the issuer’s sustainability strategy and material ESG topics for the sovereign and sub-sovereigns. The rationale for issuing green bonds is described by the issuer in its framework.

PART II: ALIGNMENT WITH GBPs, SBPs AND SBGs.

1. Use of Proceeds

The net proceeds of the Green, Social and Sustainability Bonds will be used to finance or refinance, in whole or in part, the Auvergne-Rhône-Alpes Region's capital expenditures in "Eligible Green and Social Projects", grouped in the following categories:

- Green buildings & energy efficiency
- Renewable energy
- Clean transportation
- Pollution prevention and control
- Sustainable water and wastewater management
- Access to essential services
- Affordable housing
- Socioeconomic advancement and empowerment

Eligible projects are located in the Auvergne-Rhône-Alpes Region (France).

The majority of funding will be allocated to capital expenditures for the current and following years. Refinancing will be limited to capital expenditure in the 12 months prior the bond issuance.

Following are the "Eligible Green Projects" financed by the Auvergne-Rhône-Alpes Region's Green, Social and Sustainability Bonds:

ELIGIBLE CATEGORIES	SUBCATEGORIES AND ELIGIBILITY CRITERIA	EXPECTED ENVIRONMENTAL BENEFITS	PROJECTS EXAMPLES
Green Buildings and Energy Efficiency	<p>Energy efficiency of buildings:</p> <ul style="list-style-type: none"> ▪ Construction of new low-energy buildings having received one of the following certifications: LEED (>gold), BREEAM (>excellent), HQE (>very good), BBCA, or any other equivalent certification ▪ Energy retrofit of existing buildings (insulation and 	<p>Climate change mitigation</p> <ul style="list-style-type: none"> ▪ Reduction of greenhouse gas emissions ▪ Energy savings 	<ul style="list-style-type: none"> ▪ Construction of HQE or positive energy high schools ▪ Energy renovation of existing high schools³

³ By promoting the installation of wood boilers using locally sourced wood.

	installation of renewable energy systems) leading to at least 30% energy efficiency improvement		
Renewable Energy	<p>Renewable Energy:</p> <p>Investments allowing the development of renewable energies: wind, solar</p> <p>Exclusion Criteria:</p> <p>This category excludes expenditures to produce energy from high carbon stock land, high biodiversity value land, as well as forest and arable land conversion</p>	<p>Climate change mitigation</p> <ul style="list-style-type: none"> Reduction of greenhouse gas emissions 	<ul style="list-style-type: none"> Investment support for the installation of renewable energy production capacities Financing from the Regional Agency for Energy and Climate
Clean Transportation	<p>Public Transportation and Sustainable Mobility:</p> <ul style="list-style-type: none"> Rail infrastructure (construction, renovation and inter-modal development) <u>with the following eligibility criteria:</u> <p>Ground electrified infrastructure and associated subsystems: infrastructure, energy, on-board control and command and signalling subsystems</p> <ul style="list-style-type: none"> Acquisition of new electric/ hydrogen rolling stock Development of bicycle paths 	<p>Climate change mitigation</p> <ul style="list-style-type: none"> Reduction of greenhouse gas emissions Energy savings 	<ul style="list-style-type: none"> Investments in the regional rail network Acquisition of railway rolling stock Development of regional express transportation systems

<p>Pollution Prevention and Control⁴</p>	<p>Sustainable waste management:</p> <ul style="list-style-type: none"> Expenditures to prevent, recycle and recover waste 	<p>Transition to a circular economy & Pollution prevention and control</p>	<ul style="list-style-type: none"> Regional Plan for Waste Prevention and Management Example of initiatives: improvement of the performance of the current selective waste collections, improvement of the sorting behavior of tourists, development of communication programs towards inhabitants
<p>Sustainable Water and Wastewater Management</p>	<p>Sustainable water management:</p> <ul style="list-style-type: none"> Water distribution infrastructure Flood risk prevention infrastructure 	<p>Adaptation to climate change & sustainable use and protection of hydrological and marine resources (Sustainable access to water, flood prevention)</p>	<p>The Region's action is in line with objective 4.3 of the Auvergne Rhône-Alpes Regional Plan for Sustainable Development and Equality of Territories (SRADDET): "To support local authorities in better preventing and adapting to the natural risks that are very present in the region. "</p> <p>It aims, in a context of climate change characterized by uncertainty and the difficulty of anticipating the extent of future phenomena, to promote the development of risk management solutions based on nature, favoring so-called "no-regrets" strategies and increasing the adaptability or resilience of territories. The mobilization of Nature-based Solutions (NBS) allows an environmental added value.</p>

⁴ The Region finances infrastructure such as equipment that improves the recovery rate: incinerators are not eligible; only sorting centers, professional waste reception centers, recycling companies, or recovery units for Solid Recovered Fuels are eligible.

Following are the “Eligible Social Projects” financed by the Auvergne-Rhône-Alpes Region’s Green, Social and Sustainability Bond:

ELIGIBLE CATEGORIES	SUB-CATEGORIES PROJECTS AND ELIGIBILITY CRITERIA	EXPECTED SOCIAL BENEFITS	PROJECT EXAMPLES
Access to Essential Services: Health	<p>Equal access to healthcare throughout the territory</p> <ul style="list-style-type: none"> An increase in public health capacities through the construction or extension of health infrastructures Improvement of the quality of existing health infrastructures Development of medical research <p><u>Target populations:</u></p> <p>Inhabitants of the territories subject to medical desertification risk⁵</p> <p>Health and social training</p> <ul style="list-style-type: none"> Construction and renovation of health and social training institutes <p><u>Targeted populations:</u></p> <p>Students following health and social curriculum</p>	<p>Access to community care for all</p> <ul style="list-style-type: none"> Fighting medical desertification <p>Access to health and social training for all</p> <ul style="list-style-type: none"> Development of the training offer on all the territory Training of health workers 	<ul style="list-style-type: none"> Nursing home Energy renovation work
Access to Essential Services: Digital Inclusion	<p>Acceleration of the digital coverage of the territory</p> <ul style="list-style-type: none"> Development of infrastructures/ 	<p>Access to digital coverage for all territories</p>	<ul style="list-style-type: none"> Public developments of the optic fiber networks (Public Initiative Networks – PIN)

⁵ More details on medical deserts in the appendix of the Framework.

	<p>projects aimed at reducing digital deserts</p> <p><u>Targeted populations:</u> Inhabitants, public services and companies located in digital deserts/ rural areas⁶ (geographical areas where business and private premises do not have access to a connection rate of 30Mb/s and do not have a mobile coverage)</p>		<ul style="list-style-type: none"> ▪ Development of 57 mobile sites to fight white spots ▪ €1.5m subsidy program to find alternative solutions for THD access: Satellite, 4G Fixed outdoor and THD Radio
Access to Essential Services: Social Inclusion	<p>Accessibility of public buildings and infrastructures</p> <ul style="list-style-type: none"> ▪ Improve the accessibility of public buildings and infrastructures <p><u>Targeted populations:</u> People with reduced mobility</p> <p>Access to public transports</p> <ul style="list-style-type: none"> ▪ Access to transport services for all, including in less densely populated areas <p><u>Targeted populations:</u> People living in less densely populated areas</p>	<p>Access to public buildings and infrastructures for all</p> <ul style="list-style-type: none"> ▪ Access to public buildings ▪ Access to public transports 	<ul style="list-style-type: none"> ▪ Development of high school infrastructures (access ramps, signage, escalators...) ▪ Development of public transport infrastructures (stations, rolling stock and buses) (access ramps, signage, elevators...)

⁶ Concerning rural areas, they are delimited by what remains of the territory once the urban areas, within the meaning of INSEE, have been removed.

<p>Access to Essential Services : Education and Culture</p>	<ul style="list-style-type: none"> ▪ An increase in educational accommodation capacity through the construction or extension of infrastructure for public secondary and public higher education and for apprenticeship ▪ Improvement of the quality of existing infrastructure and equipment for public secondary and public higher education and for apprenticeship <p><u>Targeted population :</u> Pupils and students of the territory</p>	<p>Access to education and culture for all</p>	<p>Some examples:</p> <ul style="list-style-type: none"> ▪ Blaise Pascal school campus (Clermont-Ferrand – 63): high school restructuring; ▪ Emmanuel Mounier High school (Grenoble – 38): high school reconstruction; ▪ Dauphiné High school (Romans-sur-Isère – 26): High school global restructuring and boarding school construction ▪ New high school in the Clermont-Ferrand area: new construction ▪ Etc
<p>Access to affordable housing</p>	<ul style="list-style-type: none"> ▪ Social Housing Stock Financing (HLM)⁷ <p><u>Targeted population :</u> Households eligible for accessibility to HLMs</p>	<p>Access to affordable housing for all</p>	<p>Example:</p> <ul style="list-style-type: none"> ▪ Housings for Lyon-Turin project's employees
<p>Socioeconomic Advancement and Empowerment</p>	<ul style="list-style-type: none"> ▪ Projects contributing to the creation or maintenance of local employment, via support to SMEs & VSEs in the territory and to social and solidarity economy projects; Support for research and innovation of SMEs and VSEs and for the development of the territory's attractiveness 	<p>Access to employment</p>	<p>Some examples of operations:</p> <ul style="list-style-type: none"> ▪ TRESSES METALLIQUES FORISSIER in Saint-Chamond (42); ▪ XL Recycling; ▪ Black Star in Saint-Pierre de Bœuf (42); ▪ CREADD in Maillat (01); ▪ ENERSES in Bourgoin-Jallieu (38); ▪ SANISPEHERE in Nyons (26)

⁷ <https://www.ecologie.gouv.fr/logement-social-hlm-definition-categories-financement-attribution-acteurs>

	<p><u>Targeted population</u> : SMEs & VSEs ; the unemployed</p>		
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The Auvergne-Rhône-Alpes Region excludes from its Green, Social and Sustainability Bond Framework the expenditures in the following sectors:

- Nuclear energy production,
- Fossil fuel production and electricity generation from fossil fuels
- Production or trade of weapons and ammunition
- Production or trade of alcoholic beverages (excluding beer and wine),
- Tobacco production or trade,
- Production of or trade in any product or activity deemed illegal under conventions and agreements, or subject to international prohibitions.

Opinion: ISS ESG considers the Use of Proceeds description provided by the issuer’s framework as aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines (GBPs, SBPs and SBGs). Eligible project categories align with examples of categories provided by those ICMA Principles and expected environmental or social benefits are clearly defined per category, referring to the UN SDGs. Those eligible project categories align with the broader sustainability strategy of the issuer towards sustainability. Following best market practices, the region has defined a specific look-back period for eligible financing and exclusion criteria to prevent financing of controversial sectors.

2. Process for Project Evaluation and Selection

The « Green and Social eligible projects » evaluation and selection process is coordinated by the Finances Directorate of the Auvergne-Rhône-Alpes Region, in coordination with all the technical departments concerned by the Green and Social Eligible Projects categories.

Like every funding or every financial support of the Auvergne-Rhône-Alpes Region, the Green and Social Eligible Projects are subject to the eco-conditionality principles: The Region has established a framework allowing the integration of economic, social and environmental criteria in its actions in support of the beneficiaries, be it companies or public authorities. The eco-conditionality principles are the following:

- Reduction of environmental footprint and development of energy sobriety,
- Improving working condition, the professional development of employees and the respect of social clauses,
- Fighting discriminations,
- Financial ethics.

The selection of Green and Social Eligible Projects is realized by the Technical Committee for Monitoring the Green, Social and Sustainability Bond. It includes:

General coordination:

- Services General Directorate;
- Finances Directorate

Supported by:

- Agriculture, Forest and Agri-food Directorate;
- Territory and Mountain Development Directorate;
- Environment and Energy Directorate;
- Mobility Directorate;
- Education and High school Directorate;
- Youth, Health, Sport and Disability Directorate;
- Training and Orientation Directorate;
- Tourism Directorate;
- Higher Education, Research and Innovation Directorate;
- Heritage and General Means Directorate.

The Finances Directorate and the Environment and Energy Directorate provide secretariat services to the Technical Committee and the technical departments are in charge of validating the alignment of potential Green and Social Eligible Projects with the Auvergne-Rhône-Alpes Region's Green, Social and Sustainability Bond Framework. The Technical Committee meets on an annual basis, at the request of the Finances Directorate. The outcome of the meeting will be recorded and a decision statement will be produced.

Eventually, the list of Eligible Green and Social Projects is submitted to the Auvergne-Rhône-Alpes Region's Green, Social and Sustainability Bonds Steering Committee for arbitration. The committee is composed of:

- The President of the Region,
- The Presidents of the concerned committees,
- The Services Directorate.

The steering Committee validates the list of Green and Social Eligible Projects to finance or refinance with the Auvergne-Rhône-Alpes Region's Green, Social and Sustainability Bonds.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by the issuer's framework as aligned with the GBPs, SBPs and SBGs. For most project categories, transparent eligibility criteria have been defined in the framework. The process for evaluation and selection is documented and involve relevant internal stakeholders with appropriate expertise. The issuer considers also key ESG risks related to its investments such as environmental damages, labour rights and health and safety.

3. Management of Proceeds

The monitoring of the net proceeds of the Auvergne-Rhône-Alpes Region's Green, Social and Sustainability Bonds is conducted in the regulatory framework applicable to French local authorities which requires to deposit free funds in a single account with the French Treasury⁸.

⁸ In accordance with article 26 of the Organic Law on Finance Laws of August 1, 2001.

An amount equivalent to the net proceeds of the Auvergne-Rhône-Alpes Region’s Green, Social and Sustainability Bonds is allocated to the investments expenditures related to Green and Social Eligible Projects.

From a budgetary and accounting point of view, the proceeds of the bonds are entered as investment income and cover the investment expenditure of the year. The principle of an annual budget offers a guarantee to investors that the funds raised by green and sustainable bonds will be used in the year of the mobilisation of the borrowings to finance the Region’s investment projects.

The monitoring of the Green, Social and Sustainability Bonds net proceeds allocation is ensured by the Auvergne-Rhône-Alpes Region’s Finances Directorate.

Opinion: *ISS ESG finds that Management of Proceeds proposed by the issuer’s framework is aligned with the GBPs, SBPs and SBGs, as an equivalent amount than the net amount collected will be allocated to identified eligible green and social investments. All proceeds will be allocated within a year after issuance.*

4. Reporting

The Auvergne-Rhône-Alpes Region commits to publish an annual reporting on Green, Social and Sustainability Bonds, until the full allocation of the bond proceeds.⁹ This work will be led by the Finances Directorate. It will be based on environmental and social impact indicators and when needed on more developed studies conducted as part of the assessments provided for in the Region's internal regulations (internally or through the use of a specialist service provider)

Allocation report

This reporting is published when the debate on the Auvergne-Rhône-Alpes Region’s budget orientation occurs (October/November) and includes:

- The total amount allocated to date,
- By Green and Social Eligible Projects category:
 - Number of Eligible Projects financed,
 - Total amount invested,
 - List of Eligible Projects financed¹⁰.

Impact report

The following table presents some examples of reporting indicators classified under Eligible Categories. The Region might use them as part of its impact reporting:

ELIGIBLE CATEGORIES	SUB-CATEGORIES PROJECTS	IMPACT INDICATORS EXAMPLES
Green Projects	Green buildings & Energy efficiency	• Energy savings (MWh)

⁹ The reporting, as well as the Framework, will be made available on Auvergne-Rhône -Alpes Region’s website.

¹⁰ List of partially aggregated projects when confidentiality clauses, trade secrets or the multiplicity of underlying projects make it impossible to produce sufficiently detailed information.

		<ul style="list-style-type: none"> Greenhouse Gas emissions avoided (t eq.CO₂) Number of renovated housings Number of beneficiaries
	Renewables energies	<ul style="list-style-type: none"> Energy production (MWh) Greenhouse Gas emissions avoided (t eq.CO₂)
	Pollution prevention and control	<ul style="list-style-type: none"> Tons of waste avoided per year
	Clean transportation	<ul style="list-style-type: none"> Modal shift (number of additional passengers) Greenhouse Gas emissions avoided (t eq.CO₂)
	Sustainable management of water and wastewater	<ul style="list-style-type: none"> m³ distributed m³ substituted to local network perimeter of areas protected from flooding Dike length
Social Projects	Access to essential services: health	<ul style="list-style-type: none"> Number of supported projects Perimeter and number of concerned inhabitants
		<ul style="list-style-type: none"> Number of new projects achieved Number of beneficiaries Number of persons in training
	Access to essential services: digital inclusion	<ul style="list-style-type: none"> Number of new accesses to optic fiber
	Access to essential services: social inclusion	<ul style="list-style-type: none"> Number of improvements made Number of beneficiaries
	Access to essential services: education and culture	<ul style="list-style-type: none"> Number of beneficiaries
	Access to affordable housing	<ul style="list-style-type: none"> Number of beneficiaries
	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> Number of beneficiaries

Opinion: *ISS ESG finds that the reporting proposed by the issuer's framework is aligned with the GBPs, SBPs and SBGs. The issuer will report annually, both on allocation and ESG impact. The type of information provided, scope and duration of this reporting is defined pre-issuance in the framework. Responsibilities for this reporting are clearly defined in the framework.*

External review

Second Party Opinion

This Second Party Opinion will be made available on the Auvergne-Rhône-Alpes Region's website: <https://www.auvergnerhonealpes.fr/>

External verification

The monitoring of the allocation of the Green, Social and Sustainability Bonds net proceeds is ensured by the Auvergne-Rhône-Alpes Region's Finances Directorate.

The allocation of proceeds to Eligible Projects will then be confirmed at a first level, with the use of the Region's financial tool that associates every expenditure to the payment authorization of the concerned program, and at a second level, by the control of the Direction Régionale des Finances Publiques (DRFiP) who checks that the concerned payment corresponds to a regularly engaged, liquidated and authorized expenditure.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE











A. CONTRIBUTION OF THE GREEN, SOCIAL AND SUSTAINABILITY BONDS TO THE UN SDGs

Based on the assessment of the sustainability quality of the Green, Social and Sustainability bonds and using a proprietary methodology, ISS ESG assessed the contribution of the region’s Green, Social and Sustainability bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).










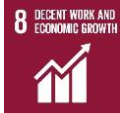
This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green, Social and Sustainability bonds’ 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
Eligible Green Projects		
Green Buildings	Significant contribution	
Energy Efficiency	Significant contribution	 
Renewable Energy <i>Wind and Solar</i>	Significant contribution	 
Clean Transportation <i>Rail infrastructure, Acquisition of new electric/ hydrogen rolling stock</i>	Limited Contribution	 
Clean Transportation <i>Development of bicycle paths</i>	Limited Contribution	 
Pollution Prevention and Control ¹¹ Sustainable waste management	Significant contribution	
Sustainable Water and Wastewater Management	Significant contribution	

¹¹ The Region finances infrastructure such as equipment that improves the recovery rate: incinerators are not eligible; only sorting centers, professional waste reception centers, recycling companies, or recovery units for Solid Recovered Fuels are eligible.

Water distribution infrastructure	Limited Contribution	
Sustainable Water and Wastewater Management <i>Flood risk prevention infrastructure</i>	Limited Contribution	 
Eligible Social Projects		
Access to Essential Services: Health	Significant contribution	
Access to Essential Services: Education and Culture	Significant contribution	
Access to Essential Services: Digital Inclusion	Significant contribution	
Access to Essential Services: Social Inclusion	Significant contribution	
Access to affordable housing	Significant contribution	 
Socioeconomic Advancement and Empowerment	Significant contribution	

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE ELIGIBLE CATEGORIES

Key performance indicators (KPIs) covering both Green and Social activities

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity

✓ All of the assets financed under this Framework will be located in France where biodiversity management is covered by national legislation (e.g., biodiversity is covered by Environmental Impact Assessments regulated by the transposition of a European directive¹²).

In April 2020, the Region implemented a "Schéma Régional d'Aménagement, de Développement Durable et d'Égalité des Territoires" (SRADDET) that set objectives in terms of preservation and remedying of biodiversity areas.

Circular economy / Waste Management

✓ All of the assets financed under this Framework will be located in France where end-of-life commissioning and recycling is covered by national legislation (e.g., solar waste management is covered by the transposition of a European WEEE directive¹³, waste management is covered by the transposition of a European directive¹⁴).

Dialogue with local communities

✓ Community dialogue features as part of the planning process for all assets issued under this framework as European Union standard in terms of Environmental Impact Assessments (evaluation and acquisition of land rights, site permitting, and engagement with stakeholders).

Users safety

✓ All of the assets financed under this Framework will be located in France and provide for measures to ensure operational safety (e.g. emergency exits, fire sprinklers, fire alarm systems).

Labor and Health & Safety

✓ All of the assets financed under this Framework will be located in France, where high labour and health and safety standards are in place for construction and maintenance work (e.g. ILO core conventions).

¹² <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000029546107>

¹³ <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029387124/>

¹⁴ <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000019818802>

Water management

- ✓ Water management will be covered by the 'Schéma Régional d'Aménagement, de Développement Durable et d'Égalité des Territoires' (SRADDET) that must comply with the fundamental guidelines provided by national laws in terms of sustainable water management.

Exclusion of sectors and activities that have a detrimental impact on environment or society

- ✓ All of the assets financed under this framework will follow exclusion criteria (e.g., nuclear energy, production of energy from fossil fuels).

Key performance indicators (KPIs) specific to Social activities

ASSESSMENT AGAINST ISS ESG KPI

Quality management

- ✓ For all buildings infrastructures that aim at receiving public, the region ensures de respect with the National Construction Code and enforces controls during the two years following the construction.

Quality of the assets financed in health and education sectors are guaranteed by the high standards of those services at country level.

Inclusion

- The region implemented a strategy to support gender equality¹⁵. If for certain Use of Proceeds categories, inclusion is guaranteed by the eligibility criteria, or national laws (e.g., the Public Health Code ensures non-discriminatory access to health services in France), limited information are available relating a system in place that systematically monitors the measures that promote inclusion at financed assets level.

¹⁵ E.g., 2019 – 2021 action plan, organization of a regional contest "Initiatives au Feminin" to support Women Entrepreneurship.

DISCLAIMER

1. Validity of the SPO: As long as Région Auvergne-Rhône-Alpes' Green, Social and Sustainability Bond Framework remains unchanged
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.
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ANNEX 1: Methodology

ISS ESG Green & Social KPIs

The ISS ESG Green & Social Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of the region’s Green, Social and Sustainability bonds.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets 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. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

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

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green & Social Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” 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 Green & Social Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by the region (e.g. Due Diligence Reports). 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 method, ISS ESG identifies the extent to which the region’s Green, Social and Sustainability bonds contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

Région Auvergne-Rhône-Alpes commissioned ISS ESG to compile a Green, Social and Sustainability Bond Framework SPO. The Second Party Opinion process includes verifying whether the Green, Social and Sustainability Bond Framework aligns with the Green and Social Bond Principles and Sustainability Bond Guidelines as administered by ICMA, and to assess the sustainability credentials of its Green, Social and Sustainability Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (2021)
- ICMA Social Bond Principles (2021)
- ICMA Sustainability Bond Guidelines (2021)
- ISS ESG KPI set capturing key ESG risks related to project categories identified by the issuer

ISSUER'S RESPONSIBILITY

The region's responsibility was to provide information and documentation on:

- Framework
- Asset pool / Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Green, Social and Sustainability Bonds to be issued by the region based on ISS ESG methodology and in line with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.

The engagement with the region took place from May to September 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

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 Green and social 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/>

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