

SECOND PARTY OPINION

on the sustainability of Banque Centrale Populaire's Social Bond Framework

V.E is of the opinion that Banque Centrale Populaire's Framework is aligned with the four core components the Social Bond Principles 2020 ("SBP").



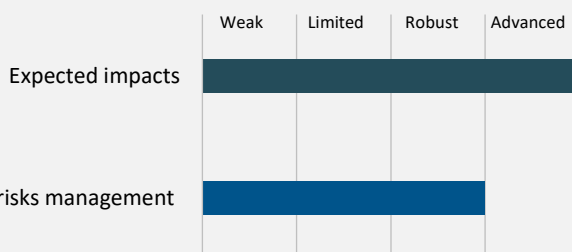
Framework

Contribution to Sustainability:

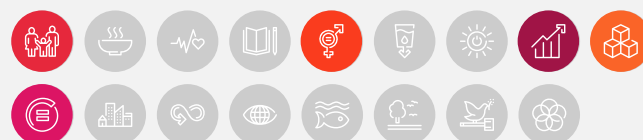


○ Advanced ○ Limited

○ Robust ○ Weak



SDG Mapping

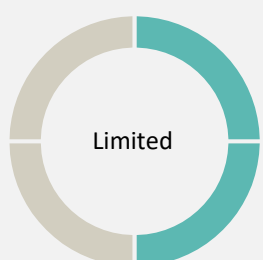


Characteristics of the Framework

Social Project Categories	⇒ Microcredit loans
Project locations	Morocco
Existence of framework	Yes
Share of refinancing	No refinancing

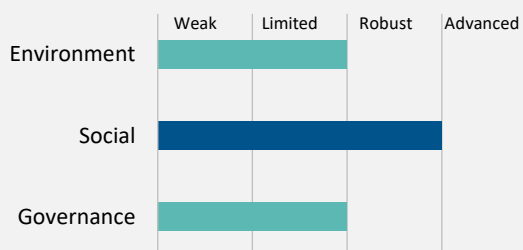
Issuer

ESG Performance as of July 2020



○ Advanced ○ Limited

○ Robust ○ Weak



Controversial Activities

The Issuer appears to not be involved in any of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|--|
| <input type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	1
Frequency	Isolated
Severity	Significant
Responsiveness	Non-communicative

Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the Framework is coherent with Banque Centrale Populaire's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

The Framework concerns the Gender Bond issuance of the Banque Centrale Populaire, for the financing of micro-credits through its Foundation, Attawfiq Micro-Finance. V.E is of the opinion that Banque Centrale Populaire's Framework is aligned with the four core components of the SBP.

Use of Proceeds – aligned with SBP and best practices identified by VE

- The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible micro-credits.
- The social objectives are clearly defined, these are relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.
- The expected social benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the Eligible Category in the reporting.
- The Issuer has committed to not have refinancing.

Evaluation and Selection - aligned with SBP and best practices identified by VE

- The process for the Evaluation and Selection of Eligible Loans has been clearly defined and detailed by the Issuer and will be disclosed only to investors. The roles and responsibilities are clear and include relevant internal expertise. The Process will be disclosed only to investors-bondholders.
- Eligibility criteria (selection and exclusion) for loan selection have been clearly defined and detailed by the Issuer for the Eligible Category.
- The process applied to identify and manage potentially material E&S risks associated with the projects is disclosed only to investors-bondholders. The Process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Category.

Management of Proceeds - aligned with SBP

- The process for the Management and Allocation of Proceeds is clearly defined and is disclosed only to investors.
- The allocation period will be 12 months.
- Net proceeds of the Bond will be placed in a specific account.
- The intended types of temporary placement for the balance of the unallocated net proceeds are disclosed only to investors.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Loans made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.

Reporting - aligned with SBP

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the eligible category. The Issuer has also committed to report on material developments/issues/controversies related to the eligible loans.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be disclosed only to investors.

- An external auditor will verify the tracking and allocation of funds to the Eligible Category until full allocation and in case of material changes. Indicators used to report on the social benefits of the eligible category will be verified internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Social Bonds¹ (“Bonds”) to be issued by Banque Centrale Populaire through its Foundation Attawfiq Micro-Finance (the “Issuer”), in compliance with the Gender Bonds Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Social Bond Principles (“SBP”) - edited in June 2020 - voluntary guidelines.

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

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental and/or social commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the SBP.
- Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from May 4th to July 2nd, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Social Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Social Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the contemplated Framework is coherent with Banque Centrale Populaire and Attawfiq Micro Finance's strategic sustainability priorities and sector issues and contribute to achieving the Issuer's sustainability commitments.

The financial sector has a key role to play in promoting innovative financial instruments and mechanisms that effectively channel new financing to initiatives that contribute to sustainable development. According to a study by the International Finance Corporation and the World Bank, it is estimated that 40% of formal MSMEs in developing countries have an unmet financing need of \$5.2 billion each year³. This fact highlights the key role of the banking sector in promoting and facilitating access to formal financial services for microentrepreneurs, thus contributing to local socio-economic development, poverty reduction and inequality. Furthermore, according to the UN Sustainable Development Goals (SDGs), SDG 5 on Gender Equality remains one of the goals that faces significant challenges⁴ in its realisation. Priority challenges for the financial sector in social aspects include the development of socially responsible financial products, financial inclusion, and the promotion of local economic and social development.

The Issuer is part of Crédit Populaire du Maroc (CPM), a group of banks made up by Banque Centrale Populaire (BCP) and the regional banks called "Banques Populaires Régionales (BPR)".

Crédit Populaire du Maroc's missions as defined by legislative decrees are:

- Article 1 of the Dahir n° 1-60-232 du 16 chaabane 1380 (July the 2nd, 1961):
 - "...to promote the activity and development of crafts and any medium or small business, by the distribution of short, medium and long term credits, both on its own resources as on the deposits of its customers and on the placed at its disposal in any form".
 - "...provide financial or technical support to all other sectors of activity than those mentioned above".
- Article 1 of the Dahir n° 1-00-70 du 19 rejeb 1421 (October the 17th, 2000) promulgating the law n° 12-96 reforming the Crédit Populaire du Maroc:
 - "The Crédit Populaire du Maroc is in particular responsible for promoting the activity and development of any medium or small, artisanal, industrial or service business by distributing short, medium and long-term credits".
 - "...It contributes to the mobilization of savings, to their use in the regions where they are collected and to the promotion of banking activities at the local and regional level".

Banque Centrale Populaire is committed to the SDGs. An analysis and categorisation of the contribution of the Bank's products and services has been carried out (strategic SDGs, complementary SDGs and SDGs for good governance). Thus, the Bank displays a commitment, formalised and visible on its institutional website, to contribute to the following Sustainable Development Goals: 1. No Poverty; 2. Zero Hunger; 4. Quality Education; 8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure; 10. Reduced Inequality; 11. Sustainable Cities and Communities; 16. Peace, Justice and Strong Institutions; and 17. Partnerships for the goals.

The Issuer's commitment to CSR is formalised publicly accessible (CSR Charter, CSR strategy, Sustainable finance strategy, environmental and social risks' mapping...).

The social public utility of the Issuer is recognised, in particular through its positioning as :

- The 1st collector of the savings of the Moroccan banking system

³ Bruhn, M., Hommes, M., Khanna, M., Singh, S., Sorokina, A. and Wimpey, J.S., 2017. MSME finance gap: assessment of the shortfalls and opportunities in financing micro, small, and medium enterprises in emerging markets (No. 121264, pp. 1-80). The World Bank.

⁴ Sustainable Development Report 2020 - <https://dashboards.sdgindex.org/map/goals/SDG5>

- The 1st bank in the repatriation of the savings of Moroccans residing abroad (MRE)
- The bank "that encourages social housing" with an annual increase of 25% of its outstanding loans in this field

Attawfiq Micro-Finance, a Foundation created by the Groupe Banque Populaire aims to contribute to the fight against poverty and unemployment, thus participating in the national effort to fight poverty and unemployment and to promote employment and entrepreneurship. Its activity revolves around:

- The distribution of micro-credits allowing people in an economically precarious situation to create or develop an income-generating activity.
- Support for clients in their loan projects: training, consulting and technical assistance.

The Foundation operates in both urban and rural areas and adopts a pricing policy adapted to low-income populations. The number of micro-credit clients (of the Foundation) increased by + 5.25% between 2016 and 2018, including 19% distributed in rural areas (+ 2.65% since 2016).

In a national context where low-income women face difficulties in accessing the labour market and financing that would allow them to develop income-generating activities, the objective defined by BCP in the Gender Bond Framework to "participate in the progression of the economic empowerment of women and encourage professional integration as well as the financial inclusion of economically, socially and humanly disadvantaged women in society", through its Foundation specialising in microfinance. Thus, the Bank plans to raise funds through a subordinated bond issuance ("Gender Bonds" type) of 200 million dirhams, through its Attawfiq Micro-Finance foundation, whose corporate purpose meets this objective. It should be noted that more than 55% of clients benefiting from the Foundation's services are women⁵.

⁵ BCP's 2018 Sustainable Development report

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Social Bond Framework which covers the four core components of the SBP 2020 (the last updated version was provided to V.E on April 6th, 2021). The Issuer has committed to make this document accessible to investors. An area for improvement is to publicly disclose the Framework, in line with good market practices.

Alignment with the Green Bond Principles

Use of Proceeds



The net proceeds of the Bond will exclusively finance, in part or in full, projects falling under one Social Category ("Eligible Category"), as indicated in Table 1.

- The Eligible Category is clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible micro-credits.
- The social objectives are clearly defined, these are relevant for the Eligible Category and set in coherence with sustainability objectives defined in international standards.
- The expected social benefits are clear and precise, these are considered relevant, measurable, and will be quantified for the Eligible Category in the reporting.
- The Issuer has committed to not have refinancing.

BEST PRACTICES

- ⇒ Content, eligibility and exclusion criteria are clear and in line with international standards for all categories
- ⇒ Relevant social benefits are identified and measurable for all project categories
- ⇒ The expected benefits will be quantified for all projects in the reporting
- ⇒ The Issuer has committed to not have refinancing






Table 1. V.E' analysis of the Eligible Category, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: Micro-credit loans granted by Attawfiq Micro-Finance, a subsidiary of BCP
- Location of Eligible Projects/Assets: Morocco

ELIGIBLE SOCIAL EXPENDITURES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Micro-credit loans	<p>Micro-credit loans to urban and rural women, economically disadvantaged, excluded from the financial system, who wish to create or develop income-generating activities.</p> <p><i>Target population: urban and rural women excluded from the classic financial system in Morocco.</i></p>	<p><u>Women empowerment</u></p> <p>Increase in job creation, promotion of women's entrepreneurship and income-generating activities</p> <p>Reduction of inequalities</p> <p>"Bancarization" of women who were excluded from the classic financial system</p>	<p>The Eligible micro-credits (projects) are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the target population, the eligibility criteria, and the location of Eligible projects.</p> <p>The social objectives are clearly defined, these are relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The expected social benefits are clear and precise, these are considered relevant, measurable, and will be quantified in the reporting.</p>

SDG Contribution

The Eligible loans are likely to contribute to five of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Microcredit loans	 1 No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
	 5 Gender Equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life
	 8 Decent Work and Economic Growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	 9 Industry, Innovation and Infrastructure	9.3 increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services including affordable credit and their integration into value chains and markets
	 10 Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Evaluation and Selection of Eligible Projects



- The process for the Evaluation and Selection of Eligible Loans has been clearly defined and detailed by the Issuer and will be disclosed only to investors. The roles and responsibilities are clear and include relevant internal expertise. The Process will be disclosed only to investors-bondholders.
- Eligibility criteria (selection and exclusion) for loan selection have been clearly defined and detailed by the Issuer for the Eligible Category.
- The process applied to identify and manage potentially material E&S risks associated with the projects is disclosed only to investors-bondholders. The Process is considered robust: it combines monitoring, identification and corrective measures for the Eligible Category (see detailed analysis on pages 15 to 17).

Process for Project Evaluation and Selection

- The Point of Sale Committee ("the Committee") is responsible for the process of evaluation and selection.
- The Committee is responsible for selecting the Eligible Loans to be financed by the Gender Bond according to a pre-selection of potential Eligible Loans by dedicated development officers in accordance with the selection criteria established in this Framework and Attawfiq Micro-Finance' selection and exclusion criteria.
- The traceability and verification of Loans' selection and evaluation is ensured throughout the process:
 - The issuer reports that it will monitor continued compliance of financed projects considering eligibility and exclusion criteria throughout the life of the Loan, it has specified that the micro-credits' recipients will be asked to return the amounts lent in case a project is no longer compliant with the contractual clauses of the loan.
 - The issuer reports that controversial activities are excluded at the selection phase. The micro-credits' recipients are committed to not develop an activity within the exclusion list when signing the loan's contract.
 - The traceability of decisions taken concerning the evaluation, selection and monitoring of projects associated with eligible micro-credits is ensured: the issuer specifies that each decision is formalized in the evaluation framework, with meeting notes, then in the Information System. The committee meets every week, or bimonthly, depending on the flow of requests.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection and exclusion), relevant to the social objectives defined for the Eligible Category.

- The selection criteria is based on the definitions of Eligible Category defined in Table 1 of the Use of Proceeds section.
- The Issuer has an exclusion list, that is presented as an annex to the Framework and communicated to investors. We consider that this exclusion list is relevant and follows good market practices. It covers the main ESG topics, including those from the exclusion list of the International Finance Corporation (IFC).

BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for loan selection are clearly defined and detailed for the eligible category.
- ⇒ The Issuer reports that it will monitor compliance of selected loans with eligibility and exclusion criteria specified in the Framework throughout the life of the bond, and has provided details on procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the eligible loans throughout the life of the instrument and has provided details on frequency, content and procedures in case a controversy is found on a loan

Management of Proceeds



- The process for the Management and Allocation of Proceeds is clearly defined and is disclosed only to investors.
- The allocation period will be 12 months.
- Net proceeds of the Bond will be placed in a specific account.
- The intended types of temporary placement for the balance of the unallocated net proceeds are disclosed only to investors.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Loans made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months.

Management Process

- The net proceeds of the Bond will be credited to a separate account.
- The unallocated funds would be held in this separate account and can be temporarily invested in financial instruments following the principles defined by BCP's and the Foundation, and communicated to investors. The issuer has communicated that these investments would be in monetary OPCVM.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Micro-credit loan has matured, the Issuer has committed to replace the no longer Eligible Micro-credit loan by a new Eligible Micro-credit loan, within 12 months.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 12 months

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the eligible category. The Issuer has also committed to report on material developments/issues/controversies related to the eligible loans.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Loans will be disclosed only to investors.
- An external auditor will verify the tracking and allocation of funds to the Eligible Category until full allocation and in case of material changes. Indicators used to report on the social benefits of the eligible category will be verified internally by the Issuer

Indicators

The Issuer has committed to transparently communicate at Eligible Category level on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS
⇒ Amount allocated per project or eligible category
⇒ Amount allocated and % not allocated
⇒ Amounts released
⇒ Average amount released
⇒ Outstanding credit
⇒ Average outstanding
⇒ Average duration
⇒ Portfolio at risk

- Social benefits: The indicators selected by the Issuer to report on the social benefits are relevant and exhaustive.

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
	OUTPUTS, OUTCOMES AND IMPACT INDICATORS
Micro-credit loans	<ul style="list-style-type: none"> ⇒ Number of loans granted to women eligible for micro-credit ⇒ Number of loans granted to women by degree of formalism ⇒ Number of loans granted to women by urban and rural area ⇒ Number of loans granted to women by activity ⇒ Number of loans granted to women by age group ⇒ Number of loans released to women by marital status ⇒ Number of women beneficiaries of bank accounts ⇒ Number of women beneficiaries of microinsurance

An area for improvement is s to commit to an external verification of the indicators used to report on the social benefits of eligible micro-credits.

BEST PRACTICES
<ul style="list-style-type: none"> ⇒ The Issuer will report on the Use of Proceeds until bond maturity. ⇒ The issuer report will be publicly available. ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Category. The Issuer has also committed to report on material development related to the projects, including ESG controversies. ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting. ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Category.

Contribution to sustainability

Expected Impacts

The potential positive impact of the eligible projects on environmental and social objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Micro-credit loans	ADVANCED	<p>Financing income generating activities for women in Morocco by microcredit loans is relevant for the country. According to the SDG Index⁶, major challenges remain with regards to SDG 5 Gender equality in Morocco. In addition, the performance for SDG 8 on decent work and economic growth also indicates that major challenges remain, thus showing that measures that both support gender equality and decent work are particularly relevant.</p> <p>The population targeted is vulnerable as indicated by the statistics on the employment rate of women and their low access to financial services. Through the eligibility criteria, targeting women excluded from the formal financial system, the projects reach the population most in need with regards to gender equality and empowerment.</p> <p>Microcredit loans will contribute to Moroccan women's empowerment and their effective contribution to the economy, through developing their autonomy, and thanks to training and support programs that complement the micro-credits.</p>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible micro-credit loans are considered robust.

Integration of social and governance criteria in the selection and management of eligible micro-credit loans

Attawfiq Micro-Finance has integrated a set of controls and verifications into the micro-credit application process, that determine the access to micro-credit loans for clients. These prior checks aim to prevent over-indebtedness and systematically lead to the rejection of micro-credit loans categorised as risky.

Attawfiq Micro-Finance has formalised a number of policies and procedures that it applies across all of its micro-credit activities in order to identify, monitor and control social and governance risks.

During our assessment, we were able to access the following documents (their content is detailed in the Risks section below):

- Code of ethics
- Procedure for controlling the anti-money laundering and financial terrorism system
- Procedure for managing customer complaints
- Procedure for identification, knowledge, profiling of customers and additional due diligence
- Data traceability and conservation procedure, based on regulatory and legislative provisions and international standards
- Assessment and monitoring framework for professional loans

Social and governance risks

- Risk of discrimination: Equity is defined in the Code of Ethics as a fundamental value of the Foundation. The eligibility conditions have been defined without taking into account any discriminating criteria and the evaluation of the project to be financed relates to the viability of the project only. However, one area for improvement would be to formalize an explicit commitment or to detail the existing commitment at the level of the said Charter,

⁶ <https://dashboards.sdindex.org/map>

prohibiting all forms of discrimination: disability, belonging or not to an ethnic group, state of health, age, marital status, etc.

- Risk of over-indebtedness:

- Identification: Attawfiq Micro-Finance has set up a "Know Your Customer" (KYC) system, allowing the identification and monitoring of customers by the Foundation's Development Agents, under the hierarchical control of the "Responsable du Point de vente".
- Evaluation: Attawfiq Micro-Finance prevents the risk of over-indebtedness upstream, particularly through the prior assessment of the client. An assessment and monitoring framework for professional loans has been formalized and made available to agents. It incorporates several indicators such as: information on the borrower, their spouse, their professional situation, their financial situation, the planned operating cycle, family responsibilities, existing or planned operating resources, assessment of needs, repayment capacity, etc. A report on visits pre- and post-release of the funds is also integrated. The identified reasons for rejection are: saturation of the activity sector, non-profitability of the project, over-indebtedness, non-eligibility of the activity to be financed or credit crossing. The Permanent Control unit carries out checks in the form of campaigns (10 campaigns per year). The sample of the population subject to controls is established on the basis of criteria predefined by the Institution; mainly risk criteria (number of overdue payments, volume of loans distributed, loss experience, etc.) and the size of the loan.

The control points put in place are as follows:

1. Check the eligibility of the client or group of clients for the program;
 2. Check the client's eligibility for the microcredit product with a specific rating scale;
 3. Evaluate the reality of the loan request;
 4. Evaluate the client's creditworthiness;
 5. Hold a customer visit (before, after release and follow-up) to ensure the reliability of the information provided by the customer;
 6. Approve the granting of credit by the committee in charge (decision chain, delegation of power);
 7. Ensure the completeness of credit records via a checklist as well as their coherence with the information entered on the system.
- Support: Attawfiq Micro-Finance provides support to customers in distress. According to the responses to the questionnaire provided to V.E, each portfolio manager must carry out follow-up visits to ensure the proper allocation of the loan and the level of progress of the project and thus detect any financial problems. Also, financial education training is provided by agents for the benefit of clients to make them aware of the risks of over indebtedness. Several products have been developed to come to the aid of clients in financial distress, we note the restructuring / rescheduling, extension of the loan term, change of the frequency, refinancing of working capital, establishment of a guarantee fund, etc. The Foundation has set up several channels to allow customers to submit their complaints: affordable phone number, postal address, a form made available at branch level, etc. Awareness posters on these different channels have been made visible at all points of sale. A unit has been created at the head office level, it is in charge of receiving customers with a complaint. Also, a dedicated application has been developed and implemented, which lists all complaints by source, reason, channel, etc. with periodic reporting. The complaints processing time is 26 days and more than 87% of complaints are processed annually.

- Risks related to fair practices:

- Clarity and transparency of information to customers
 - The Foundation has set up and makes available customer guides in Arabic in order to ensure access to clear information on the composition, use, and risks of products and services in a simple and fun language for the consumer, so as to enable them to make informed decisions. These guides cover its values, products and their pricing, social and environmental responsibility as well as a reminder of the rights and duties of customers. In addition, each client receives basic training during which the agent informs them of their rights and obligations and answers any questions or requests for clarification from the client. A copy of the loan contract is sent to the client, it also contains the main rights and obligations of the latter. According to the Foundation, customer awareness is provided in the dialect specific to each region and is provided by an agent who speaks that dialect.

- The calculation of the interest rate takes into account several variables, starting from the evaluation of the eligibility of the project to be financed (operating expenses, risks, etc.). An initial assessment of the overall cost is also carried out taking into account the calculation of deadlines in estimating the financial capacity of customers. As part of the Client Protection certification, the interest rate applied by the Foundation was set in line with the standards of the microfinance market and adapted to the needs and capacities of clients (between 10.75% and 25.2%).

Since the financed projects are micro-enterprises, we have not identified any relevant environmental risks. In addition, the micro-credit exclusion list covers many activities with strong negative impacts on the environment.

ISSUER



Banque Centrale Populaire ("BCP") provides banking products and services in Morocco, Africa, Europe, and internationally. The Company's products and services include current accounts, cheque accounts, factoring accounts, savings accounts, term accounts, and other deposit accounts, as well as certificates of deposit and various loans and advances. Banque Centrale Populaire is based in Casablanca, Morocco.

Level of ESG performance

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

As of July 2020, Banque Centrale Populaire displays an overall limited ESG performance, ranking 15th in our "Retail & Specialised Banks Emerging Market" sector which covers 90 companies. The Bank is limited in the Environmental and Governance pillars and robust in the Social pillar.

DOMAIN	COMMENTS	OPINION
Environment	<u>Banque Centrale Populaire's performance in the Environment pillar is limited.</u>	Advanced
	Banque Centrale Populaire is committed to the protection of environment and has an exhaustive Policy. The Bank obtained ISO 50001 Energy Management System for Banque Centrale Populaire headquarters and its Diouri Datacenter. In addition, the certification has been extended to 3 head offices of "Banques Populaires Régionales (BPR)" in Rabat, Nador and Laâyoune. Then, the scope has been extended to BP Tanger headquarters with the objective to generalise it for all BPR headquarters by 2021.	Robust
	In terms of direct impacts, Banque Centrale Populaire seeks to reduce its own energy consumption through integrating energy efficiency criteria in its new constructions and renovations. Some programs are put in place to mitigate environmental risks from transportation (rationalisation of transport flows, and measures to reduce pollution). Regarding its indirect impacts, Banque Centrale Populaire integrates environmental factors in its lending and investment activities and has set up dedicated financing channels to support the energy transition (e.g. Green Bonds).	
	Concerning the development of green products and services, the Bank has committed to include ESG risks assessments in all its financing and investment decisions and has set up some processes to identify, assess and classify environmental risks of clients/ projects. Banque Centrale Populaire has put in place an Environmental & Social Management System (ESMS) that is based primarily on the standards and performance of the IFC (International Finance Corporation). The ESMS helps to ensure that environmental and social risks are taken into account in the decision-making process. This system consists of four steps: selection of projects according to the level of risk identified, evaluation of the environmental risks of each project financing request, contractualisation, control and monitoring. The exclusion list covers illegal activities, radioactive materials or containing asbestos fibers, certain activities of deep-sea fishing, activities in the rainforest wood or forest goods from sustainably managed forests.	Limited
		Weak

Social	<p><u>Banque Centrale Populaire's performance in the Environment pillar is robust.</u></p> <p>Banque Centrale Populaire's performance on the Human Resources domain is considered limited. The Bank discloses significant measures to limit the impact of reorganisations that include individualised follow-up of employees. Banque Centrale Populaire's formalised commitment towards health and safety is supported by means such as risk assessments and training programme. The Bank's commitment to promoting career management is backed up by annual assessment interviews and trainings. The Company generally commits to promote social dialogue and reports that collective agreements include employment conditions.</p> <p>Banque Centrale Populaire's performance in the Human Rights domain is considered robust. The Bank has deployed significant measures to promote gender equality, notably through an analysis of remuneration, awareness-raising regarding the risks of discrimination and other stereotypes and an anonymous alert system.</p> <p>Banque Centrale Populaire's performance on the Community Involvement domain is considered robust, mainly due to the comprehensive measures implemented by the company to promote access to basic financial services that include now access to credit, systems to prevent the discrimination of customers and specific training for sales personnel. However, the Bank does not report on its efforts to support customers in financial distress. The Bank commits to address social and economic development with measures reported including support to local communities and access to micro-finance products.</p> <p>Banque Centrale Populaire's performance on the integration of social factors in the supply chain is robust. The Bank has issued a formalised commitment to adequately inform its customers, supported by means such as educational tools for customers and training for sales agents. A formalised quality policy reinforces the Bank's commitment to a responsible relationship with its customers and consumers through a number of measures: customer satisfaction surveys, staff training, awareness campaigns, etc.</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p><u>Banque Centrale Populaire's performance in the Governance pillar is limited.</u></p> <p>Board members are regularly trained on CSR issues and most of the relevant CSR issues for the Bank are discussed at Board level. The internal control system covers most of the CSR risks (business ethics, consumer privacy, environmental & climate change risks in credit decisions & other banking activities, and Inclusion, retention & development of staff) that are managed through relevant CSR processes such as risk mapping.</p> <p>The Bank has appointed a Director of Sustainable Development at Group level, reporting directly to the CEO. The Ethics and Compliance Committee is in charge of CSR issues, until the creation of a CSR Committee. However, the Board of Directors counts between 21 and 33% of independent members, below good governance practices. Of note, the Bank has obtained the CGEM label on CSR issues.</p> <p>The Issuer appears to adopt measures to support corruption and fraud prevention policies, such as reporting and risk analysis systems. The Bank does not communicate on its lobbying strategy.</p>	Advanced
		Robust
		Limited
		Weak

Management of ESG Controversies

As of today, the review conducted by V.E did not reveal any ESG controversy against Attawfiq Micro-Finance over the last four years.

As of today, Banque Centrale Populaire's faces one stakeholder related ESG controversy, linked to one of the six domains we analyse:

- Human Resources, in the criteria "Quality of remuneration systems"

Frequency: The controversy faced is considered "isolated"⁷, in line with sector average.

Severity: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "significant"⁸, better than the sector average.

Responsiveness: Banque Centrale Populaire is considered overall "non communicative"⁹, below the sector average.

Involvement in Controversial Activities

Banque Centrale Populaire and Attawfiq Micro-Finance appear to be not involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

⁷ VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

⁸ VE scale of assessment: Minor / Significant / High / Critical.

⁹ VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Social Bond Principles - June 2020 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;¹⁰
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

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

The Issuers ESG performance has been assessed by V.E on the basis of its:

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

Management of stakeholder-related ESG controversies

V.E defines a controversy as public information or contradictory opinions from reliable¹¹ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).

¹⁰ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

¹¹ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

Statement on V.E's independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer/Borrower: V.E has executed one audit mission for Banque Centrale Populaire until now. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer/Borrower's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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