Moody's | ESG Solutions

29 March 2022

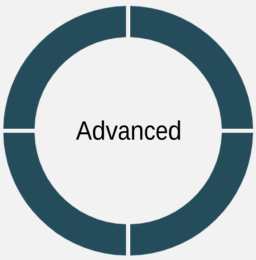
SECOND PARTY OPINION

on the sustainability of BLI - Banque de Luxembourg Investment's (BLI) Social Bond Framework associated with Impulsum Impact Series 1

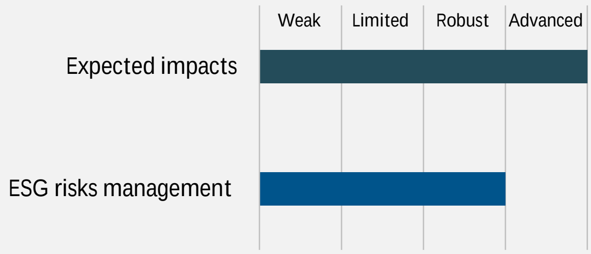
Moody's ESG Solutions considers that BLI - Banque de Luxembourg Investment's Framework is <u>aligned</u> with the four core components of the ICMA's Social Bond Principles 2021 ("SBP").

Framework

Contribution to Sustainability:



Advanced | Limited
Robust | Weak



SDG Mapping

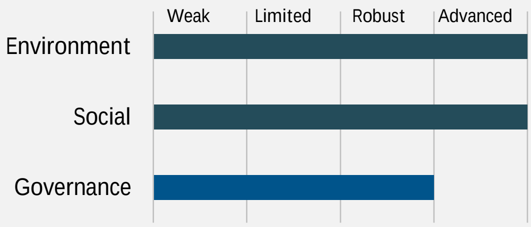
Characteristics of the Framework

Social Project Categories	⇒ Six social categories
Target Population	Disclosed for each social category
Project Locations	Sub-Saharan Africa, South Asia, and Latin America
Existence of Framework	Yes
Share of Refinancing	To be disclosed prior to each issuance
Look-back Period	36 months

Issuer and related entities

ESG Performance of Banque Federative du Credit Mutuel (BFCM) as of September 2021

Advanced | Limited
Robust | Weak



ESG Controversies	Opportunity S.A	BLI	BDL	CIC	BFCM
Number of controversies	0	0	1	1	4
Frequency	N/A	N/A	isolated	isolated	occasional
Severity	N/A	N/A	high	significant	high
Responsiveness	N/A	N/A	remediative	reactive	reactive

Controversial Activities

BCFM is involved in 1 of the 17 controversial activities screened under our methodology:

☒ Alcohol
☐ Animal welfare
☐ Cannabis
☐ Chemicals of concern
☐ Civilian firearms
☐ Fossil fuels industry
☐ Coal
☐ Gambling
☐ Genetic engineering
☐ High interest rate lending
☐ Human embryonic stem cells
☐ Military
☐ Nuclear power
☐ Pornography
☐ Reproductive medicine
☐ Tobacco
☐ Unconventional oil and gas

The screening on controversies and controversial activities and controversies involved the Issuer Opportunity S.A; BLI, the Investment Manager of the SPV Impulsum Impact Series 1, and the main sponsors' including Banque de Luxembourg (BDL), Credit Industriel et Commercial SA (CIC), and Banque Federative du Credit Mutuel SA (BFCM).

As of March 2022, a review conducted by Moody's ESG Solutions did not reveal any ESG controversy against Opportunity S.A. nor BLI over the last four years. Opportunity S.A and BLI do not appear to be involved in any of the 17 controversial activities screened under our methodology.

Coherence

Coherent
Partially coherent
Not coherent

Moody's ESG Solutions considers that the contemplated Social Bond Framework associated with Impulsum Impact Series 1 is coherent with Banque de Luxembourg Investment's strategic sustainability priorities and sector issues and that it contributes to achieving the BLI's sustainability commitments.

Key findings

Context:

BLI - Banque de Luxembourg Investments ("BLI") has elaborated a framework to govern Social Bonds issued by Opportunity S.A.'s Special Purpose Vehicle compartment named *"Impulsum Impact Series 1"*. The proceeds of the Social Bonds will be fully invested in the Impulsum RAIF Sicav S.A. - SIMA Impact Investment Fund *("Impulsum") investment vehicle for which BLI has been named* Investment Manager. Projects will be funded through Impulsum. The sole purpose of the compartment issuing the Social Bond is to enable retail investors who are ineligible to invest directly in a Reserved Alternative Investment Fund (RAIF) to access impact investments. BLI is a wholly- owned subsidiary of Banque de Luxembourg, which is part of the French banking group Crédit Mutuel Alliance Fédérale. Banque de Luxembourg is a subsidiary of Crédit Mutuel Alliance Fédérale via Crédit Industriel et Commercial (CIC).

Moody's ESG Solutions considers that BLI's Social Bond Framework is aligned with the four core components of the SBP.

Use of Proceeds - aligned with the SBP

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects for all categories, as well as the target population for Social Categories.
- The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Categories.
- The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified for all Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing prior to each bond issuance. The look-back period for refinanced loans will be equal to or less than 36 months from the issuance date, in line with market practices.

Evaluation and Selection - aligned with the SBP and best practices identified by Moody's ESG

- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer and is considered well-structured in all the evaluation and selection steps. The roles and responsibilities are clear and include relevant internal and external expertise. The process is publicly disclosed in the Framework and this Second Party Opinion.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all Eligible Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Projects is publicly disclosed in the Framework. The process is considered robust: it combines monitoring, identification and corrective measures (see detailed analysis on pages 19 and 20).

Management of Proceeds - aligned with the SBP and best practices identified by Moody's ESG

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be 12 months or less.
- Net proceeds of the Bonds will be placed in a segregated account.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Categories.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework within 6 months.

Reporting - aligned with the SBP and best practices identified by Moody's ESG

- The Issuer has committed to report on the Use of Proceeds on an annual basis, until bond maturity for the allocation and impact reporting. The report will be disclosed only to investors.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Projects. The Issuer has also committed to report on material developments and controversies related to the Eligible Projects.
- The Issuer has committed to transparently communicate at Eligible Project level on the allocation of proceeds and social benefits. The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive. The indicators selected by the Issuer to report on the social benefits of the Eligible Projects are clear, relevant and exhaustive.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Projects will be disclosed only to investors.
- An external independent party will verify the tracking and allocation of funds to Eligible Projects until bond maturity. The reporting on the social benefits of Eligible Projects will be verified internally by the Issuer.

Contact

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SCOPE

Moody's ESG Solutions was commissioned to provide an independent Second Party Opinion ("SPO") on the sustainability credentials and management of the Social Bonds[1] (the "Bonds") to be issued by Opportunity S.A and managed by BLI - Banque de Luxembourg Investments (both referred to as the "Issuer") in compliance with the Social Bond Framework (the "Framework") created to govern their issuance(s).

Our opinion is established according to Moody's ESG Solutions' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA's Social Bond Principles ("SBP") - edited in June 2021 (referred together as the "SBP").

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

- Framework: we assessed the Framework, including the coherence between the Framework and the BLI's social commitments, the Bonds' potential contribution to sustainability, and its alignment with the four core components of the SBP 2021.
- Issuer and related entities[2]: we assessed Banque Federative du Credit Mutuel's ESG performance, and the management of potential stakeholder-related ESG controversies and involvement in controversial activities[3] of the Issuer/securitization company named Opportunity S.A, BLI, the Investment Manager of the SPV Impulsum Impact Series 1, and the main sponsors' including Banque de Luxembourg (BDL), Credit Industriel et Commercial SA (CIC), and Banque Federative du Credit Mutuel SA (BFCM).

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

We carried out our due diligence assessment from 3 March to 29 March, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

☒	Pre-issuance Second Party Opinion	☐	Independent verification of impact reporting
☒	Independent verification of funds allocation	☐	Climate Bond Initiative Certification

[1] The "Social Bonds" are to be considered as the bonds to be potentially issued, subject to the discretion of BLI. The name "Social Bonds" has been decided by BLI: it does not imply any opinion from Moody's ESG Solutions.
[2] The holding company of BLI, Banque Federative du Credit Mutuel SA is part of our rating universe - the last ESG rating was performed in September 2021.
[3] The 17 controversial activities screened by us 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

Moody's ESG Solutions considers that the contemplated Social Bond Framework associated with Impulsum Impact Series 1 is coherent with BLI's strategic sustainability priorities and sector issues and that it contributes to achieving BLI's sustainability commitments.

The Financial Services sector has a great potential to support social and economic development and the transition to a low carbon and sustainable economy. The priority challenges of 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. These challenges can be addressed by promoting effective solutions for the development of sustainable finance products and services and the minimisation of the negative impact of investments and activities on the environment, people and society.

By integrating ESG factors into their financing operations, assessment of loans and project financing, and investment products, the sector can influence customer behaviour towards more environmentally friendly activities and support projects with a high social outcome. The Financial Services sector can also effectively contribute to financial inclusion and to the reduction of inequalities by ensuring the accessibility of its products and services to a larger number of customers, including the most vulnerable such as women. The sector can also contribute to promoting inclusive and sustainable growth by supporting small and medium sized enterprises, which in turn contribute to national economies by generating employment and advancing sustainable industrialisation and innovation.

The Impulsum Impact Series 1 mutual fund is an initiative of Bank of Luxembourg Investment (BLI), focused on addressing social issues and achieving positive social outcomes for populations living at the bottom of the economic pyramid. More specifically, women, MSMEs and micro-financial institutions located in Sub-Saharan Africa and South Asia.

As an asset management wholly-owned subsidiary of Banque du Luxembourg (BDL), BLI follows BDL's CSR strategy and policies, and has also been a signatory to the Principles for Responsible Banking supported by the United Nations since 2017.

The Group's mission is to contribute to sustainable development by combining financial performance with social, societal and environmental ambitions. In order to achieve those objectives, BDL's CSR strategy defined four priority themes of commitment, as per published on their 2021 first non-financial report[4]:

- Secure the future of the Bank through good governance and ethical business practices
- Forge long-term, caring relationships with its employees
- Support the ecological, social and societal transition
- Reduce its environmental footprint

Therefore, by creating a Social Bond Framework intended to finance or refinance eligible loans linked to social projects and assets , BLI coherently aligns with its CSR strategy and commitments and addresses the main issues of its sector in terms of socially responsible financial products, financial inclusion, and the promotion of local economic and social development, in line with the priority challenges of the financial sector.

[4] https://www.banquedeluxembourg.com/documents/10184/3392438/BDL_064591EN.pdf/11c93e93-3f18-312e-70cb-13e946f5b49b?t=1638535957103

FRAMEWORK

BLI - Banque de Luxembourg Investments (BLI) has described the main characteristics of the Bonds within a formalised Social Bond Framework (the last updated version was provided to Moody's ESG Solutions on March 25, 2022) that covers the four core components of the SBP 2021. The Issuer has committed to make this document publicly accessible on Banque de Luxembourg Investments' website, in line with good market practices.

Alignment with the Social Bond Principles

Use of Proceeds

Not Aligned	Partially Aligned	**Aligned**	Best Practices

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, loans falling under six Social Project Categories ("Eligible Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects for all categories, as well as the target population for Social Categories.
- The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards for all Eligible Categories.
- The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified for all Eligible Categories in the reporting.
- The Issuer has committed to transparently communicate to investors the estimated share of refinancing prior to each bond issuance. The look-back period for refinanced loans will be equal to or less than 36 months from the issuance date, in line with market practices.

BEST PRACTICES

⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
⇒ Relevant social benefits are identified and measurable for all project categories.
⇒ The Issuer has committed to transparently communicate the estimated share of refinancing prior to each bond issuance.

Table 1. Our analysis of Eligible Project Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: Loans with CAPEX and OPEX purposes.
- Location of Eligible Projects: Nigeria, Kenya, Uganda, Ghana, Togo, Rwanda, Tanzania, South Africa, Pakistan, India, Sri Lanka, Bangladesh, Cambodia, Thailand, Vietnam, Indonesia, Philippines. Proceeds may also be deployed in Latin America for microfinance.

ELIGIBLE PROJECT CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	Increase access to financing at appropriate rates via micro-lending and MSME-lending. Financing services included: 1. Micro loans (group or individual) and SME loans 2. Housing loans 3. Education loans 4. Pay-as-you-go services (PAYG programs) Target population: • MSMEs[5] . • Microfinance institutions[6]. • Population located in developing countries and at the bottom of the wealth pyramid as defined by C.K. Prahalad[7].	Reduction of poverty Reduction of the proportion of population living in extreme poverty. Employment generation Generation of employment via promotion of entrepreneurship.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects, as well as the target population. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards. The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting. BLI reports to mainly rely on the characteristics described by the World Bank on the definition of MSMEs and Microfinance institutions. It is to be noted that the definitions do not strictly follow the thresholds by the World Bank and do not follow the European Union's definition of MSMEs or microfinance institutions.
Agriculture financing	Finance agricultural material and machinery as well as agricultural inputs. Target population: • Small and marginal farmers located in developing countries with constant income from farm activities, that are located at the bottom of the wealth pyramid as defined by C.K. Prahalad.	Reduction of poverty Reduction of poverty by fostering the economic development of rural farms. Reduction of hunger Increase in local food access through investments that increase agricultural productivity and increase small holder farmers income.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects, as well as the target population. An area for improvement is to include additional criteria to promote the development of sustainable agricultural practices in all Eligible Projects, in line with best practices. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.

[5] BLI reports that it will select MSMEs usually part of global for-profit social businesses generating around $100 million of revenues. The number of employees will be around 1.500 although some exceptions can display a larger number of employees. The local MSMEs identified will generate between $2 million and $5 million of annual revenues, and will have between 20 and 500 employees.
[6] BLI reports that it will select middle and large size Microfinance institutions with more than $ 100 million in assets and a large number of employees >1.000.
[7] C.K. Prahalad defines populations located at the bottom of the economic pyramid (last and second layer of the pyramid) as people living with only a few dollars per day and are located in the least developed countries or underdeveloped part of emerging economies.

ELIGIBLE PROJECT CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
			The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting.
Financial inclusion mainly targeted towards women	Increase access to financing and other financial services to microfinance institutions targeting women. Female employees should be at least 15%. Target population: • Microfinance institutions[8]. • Population living in least developed countries or underserved areas of emerging economies with a special focus on groups of women.	<u>Gender equality</u> Increase in the proportion of women with access to financing.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, , eligibility criteria and location of Eligible Projects, as well as the target population. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards. The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting.
Affordable housing	Increase access to financing to microfinance institutions specialised in providing affordable housing[9] loans. Those entities will offer loans for purchase of apartments, construction of homes, home improvements, home extensions. Loans will be made available against property. Target population: • Financial institutions dedicated to housing finance with affordable housing portfolios. • Low- and middle-income segment according to definition of country the loan will be granted in.	<u>Access to affordable housing</u> Increase the number of people with access to affordable housing.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, , eligibility criteria and location of Eligible Projects, as well as the target population. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards. The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting.

[8] BLI reports that it will select middle and large size Microfinance institutions with more than $ 100 million in assets and a large number of employees >1.000. These microfinance institutions usually follow the Joint Liability Group (JLG) model targeting under-privileged women with each group consisting of 6-20 members. The ultimate target population is living at the Bottom of the Pyramid as defined by C.K. Prahald without access to financial services and traditional utilities among other services and goods

[9] Affordable houses in terms of carpet area is defined as 60-90 m2 with a value of $10k-40k. EMI can range between $80-$400 per month for a tenor of up to 20 years. The indicative criteria to define affordable housing finance consists of 3 parameters values of which can vary as per different countries and government regulations.

ELIGIBLE PROJECT CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
Solar	Provide access to financing to companies active in the production and distribution of solar panels and the leasing of off-grid devices with operations in developing countries. Target population: • Companies active in the production and distribution of solar panels and off-grid solar products to the last mile customers, with at least 50% of annual revenues our of total revenues from energy access activities. • Population located in developing countries and at the bottom of the wealth pyramid as defined by C.K. Prahalad[10].	Access to affordable and clean energy Increase the number of people with access to affordable and clean energy. Climate Change mitigation GHG emissions avoidance.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, , eligibility criteria and location of Eligible Projects, as well as the target population. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards. The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting. It is to noted that the Eligible Category is likely to pursue an environmental objective of Climate Change Mitigation with environmental co-benefits of GHG emissions avoidance.
Vehicle Finance	Provide access to financing to companies specialised in vehicle finance, amongst which provide financing for : - New 2 wheelers financing mainly. - Tractor and other agricultural equipment leasing services (harvesters, tillers, hay cutters, thrashers, etc.). Target population: • Companies providing leasing and loans to finance vehicles needed to develop the economic activities of target populations. • Two-Wheeler Finance: people at bottom of the pyramid (as defined by C.K. Prahalad) with small businesses or involved in the service activities such as delivery, home repair, construction, etc. • Tractor and Agri Equipment Finance: majorly small and marginal farmers with constant income from farm activities and	Socioeconomic advancement and empowerment Foster economic activity by providing access to vehicles to better serve rural regions.	The Eligible Category is clearly defined and detailed. The Issuer has communicated the nature of the expenditures, eligibility criteria and location of Eligible Projects, as well as the target population. An area for improvement is to prioritise the financing of vehicles that demonstrate good environmental performance, in line with best practices. The Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards. The Expected Social Benefits are clear, precise, relevant and measurable. They will be quantified in the reporting.

[10] C.K. Prahalad defines populations located at the bottom of the economic pyramid (last and second layer of the pyramid) as people living with only a few dollars per day and are located in the least developed countries or underdeveloped part of emerging economies.

ELIGIBLE PROJECT CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	MOODY'S ESG SOLUTIONS' ANALYSIS
	which are also located at the bottom of the wealth pyramid as defined by C.K. Prahalad.		

SDG Contribution

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

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises Agriculture financing Affordable housing	1 No Poverty	1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day. 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.
Agriculture financing	2 Zero Hunger	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.
Financial Inclusion mainly targeted towards women	5 Gender Equality	5.1 End all forms of discrimination against all women and girls everywhere.
Solar	7 Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises Vehicle finance	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.
Affordable housing	11 Industry, Innovation and Infrastructure	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Solar	13 Climate Action	The loans financing companies specialised in solar panels and off-grid solar products are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

Evaluation and Selection of Eligible Projects

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer and is considered well-structured in all the evaluation and selection steps. The roles and responsibilities are clear and include relevant internal and external expertise. The process is publicly disclosed in the Framework and this Second Party Opinion.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for all Eligible Categories.
- The process applied to identify and manage potentially material ESG risks associated with Eligible Projects is publicly disclosed in the Framework. The process is considered robust: it combines monitoring, identification and corrective measures (see detailed analysis on pages 19 and 20).

Process for Project Evaluation and Selection

The evaluation and selection of the Eligible Projects involve different roles and responsibilities including BLI's fixed income department, BLI's external advisor 'Social Investment Managers and Advisors' (SIMA), BLI's Compliance department and BLI's legal department. The process includes four different steps:

1- The Eligibility check: The projects will be proposed by the Investment Advisor before further analysis at BLI's level. Projects must fulfil all eligibility checks as detailed in the "Use of Proceeds" section of the framework. The Investment Advisor has teams on the field able to respond to the needs of the various projects. They also have a specific investment process which leads to a Credit Write-Up.

2- The due diligence process:

   a. Site visits at the location of financed projects by the Investment Advisor (SIMA) including questionnaires to assess a project's relevance

   b. Know-Your-Customer (KYC) and Anti-Money-Laundering (AML) assessments via formalized checklists by BLI's Compliance Department in cooperation with the Investment Advisor (SIMA)

   c. A Legal review conducted by BLI's Legal Department in cooperation with the Investment Advisor (SIMA)

   d. Social and environmental diligence checks via onsite ESG checklists and questionnaires conducted by BLI's Fixed Income Department in cooperation with the Investment Advisor (SIMA)

3- The selection process: The selection process is the result of both the ESG analysis and the financial analysis of a project. The financial analysis considers both macroeconomic and project-level factors. The geographic allocation of the investments will depend on the outcome of the macroeconomic study of the country in which the investment is taking place. Once a project is deemed creditworthy and impactful, it may be integrated into the portfolio by BLI's Fixed Income department. The final selection remains under the responsibility of BLI's Fixed Income Department.

4- Project monitoring: The Investment Advisor (SIMA) will monitor the selected projects throughout their lifecycle.

- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
    - The Issuer reports that it will monitor continued compliance of the projects with the eligibility criteria of the framework with the support of its external Investment Advisor (SIMA) at least on an annual basis and until the bond's maturity. While a potential non-compliance of a project with the Eligibility Criteria will be assessed on a case-by-case basis, a severe case of non-compliance like the breach of an ESG covenant within the loan agreement my trigger loan redemption and thus imply divestment.
    - Similarly, ESG controversies will be monitored on an annual basis and until the bond's maturity. BLI will be assisted in its ESG monitoring by the external Investment Advisor (SIMA). In case a controversy leads to the breach of an ESG covenant within the loan agreement, the proceeds may be subject to an early repayment and thus imply divestment.
    - The decision-making process on Eligible Projects will be documented in meeting minutes, write-ups and other relevant documents such as PowerPoint presentations or email exchanges with the Investment Advisor and appropriately stored.

Eligibility Criteria

The process relies on explicit Eligibility Criteria (selection and exclusion), relevant to the social objectives defined for the Eligible Categories.

- The selection criteria is based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- The Issuer defines an exclusion list in the Social Bond Framework, prohibiting loans to companies involved in activities that go against international standards or the ethical values of the company.

The exclusion criteria are considered relevant and exhaustive as they cover the main topics in terms of environmental and social responsibility, in line with good market practices.

BEST PRACTICES

⇒ Eligibility and exclusion criteria for Project selection are clearly defined and detailed for all of the Eligible Categories.

⇒ The Issuer reports that it will monitor compliance of selected and financed Projects with eligibility criteria specified in the Framework throughout the life of the instrument and has provided details on the procedure adopted in case of non-compliance.

⇒ The Issuer reports that it will monitor potential ESG controversies associated with the financed Projects throughout the life of the instrument and has provided details on the procedure in case a controversy is found.

Management of Proceeds

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed, and is publicly available in the Framework.
- The allocation period will be 12 months or less.
- Net proceeds of the Bonds will be placed in a segregated account.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Categories.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Framework within 6 months.

Management Process

- The net proceeds of the Bonds will be first placed in a sub-account of the Impulsum RAIF Sicav S.A ("Impulsum") investment vehicle and will be managed by BLI in cash or short-term equivalent. The proceeds at portfolio level will be monitored through the internal portfolio management system at project level by BLI's fixed Income Department. In addition, at project level, each underlying loan will be monitored by the borrower (e.g. financial institution) via a sub-account or through the borrower's internal tracking system.
- BLI confirms that the portfolio of Eligible Projects will match the size of the total amount raised by "Impulsum Impact Series 1" (the fund). In case the portfolio of Eligible Projects is smaller than the Bonds' net proceeds outstanding, BLI has committed to fill the gap and load the Eligible Project Portfolio with existing unallocated Projects compliant with the Framework, as soon as possible.
- Any unallocated funds will be held in cash or short term equivalents in a separate account. In addition, BLI commits not to invest them in GHG-intensive or controversial as defined in the exclusion list activities of the Framework.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, the Issuer has committed to replace the no longer Eligible Project by a new Eligible Project compliant with the framework within 6 months, on a best effort basis (contingent upon the overall fund maturity and project availability).

Of note, BLI has communicated that should a postponement, cancelation, divestment or ineligibility occur in less than 9 months prior to the maturity of the fund, the proceeds may not be allocated to a new Eligible Project compliant with the framework, given that it may be difficult to identify an alternative project. Nevertheless, BLI reports that this would constitute an exceptional situation never met before. To address such a situation, BLI may cancel the management fees for the amounts not invested, reimburse the amount to investors, or identify a liquid social bond with a short maturity or a time deposit placement.

BEST PRACTICES

⇒ The allocation period is 12 months or less.

⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.

⇒ 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 Framework within 24 months.

Reporting

Not Aligned	Partially Aligned	Aligned	Best Practices

- The Issuer has committed to report on the Use of Proceeds on an annual basis, until bond maturity for the allocation and impact reporting. The report will be disclosed only to investors.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Projects. The Issuer has also committed to report on material developments and controversies related to the Eligible Projects.
- The Issuer has committed to transparently communicate at Eligible Project level on the allocation of proceeds and social benefits. The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive. The indicators selected by the Issuer to report on the social benefits of the Eligible Projects are clear, relevant and exhaustive.
- The reporting methodology and assumptions used to report on social benefits of the Eligible Projects will be disclosed only to investors.
- An external independent party will verify the tracking and allocation of funds to Eligible Projects until bond maturity. The reporting on the social benefits of Eligible Projects will be verified internally by the Issuer.

Indicators

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

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

REPORTING INDICATORS
⇒ The list of Eligible Projects financed, including a brief description.. ⇒ The aggregated amount of allocated net proceeds to Eligible Projects. ⇒ The balance of financing vs refinancing (%). ⇒ The balance of the unallocated proceeds and the types of temporary unallocated funds placements and uses. ⇒ Details on the share of co-financing between direct investments in Impulsum and investments through the SPV Impulsum Impact Series 1.

- Social Benefits: The indicators selected by the Issuer to report on the social benefits are clear, relevant and exhaustive. In addition, an environmental co-benefit indicator will be reported for the Eligible Category 'Solar'.

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
	OUTPUTS AND OUTCOMES
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	- Number of microloans provided to low-income consumers - Number and amount of microloans provided to MSMEs - Number of employees before and after the social investments
Agriculture financing	- Number of loans provided to rural farmers - Average loan size provided to rural farmers

ELIGIBLE CATEGORIES	SOCIAL BENEFITS INDICATORS
	OUTPUTS AND OUTCOMES
Financial Inclusion exclusively targeted towards women	- Number of women receiving microloans - Number of new bank accounts opened by women customers
Affordable Housing	- Number of housing loans provided to low- and middle-income segments - Number of affordable houses financed
Solar	- Number of loans provided to solar companies operating in low-income countries (target locations) - Number of people with improved energy access - Jobs created – directly and indirectly – split in male/female - Average saving on energy expenditure by households Environmental co-benefit indicator: - GHG emissions avoided
Vehicle finance	- Number of new vehicle financing loans issued - Jobs created – directly and indirectly – split in male/female - Average income per family generated

BEST PRACTICES

⇒ The Issuer will report on the Use of Proceeds until bond maturity.

⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Projects. The Issuer has also committed to report on material development related to the projects, including ESG controversies.

⇒ The Issuer will report on allocation of proceeds and on social benefits at project level.

⇒ 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 Categories.

CONTRIBUTION TO SUSTAINABILITY

Expected Impacts

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

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises	ADVANCED	Employment generation and prevention or alleviation of unemployment represent powerful levers in the combat against poverty and the contribution to economic growth. SDGs 1 & 8 define necessary actions to be undertaken and the Sustainable Development Report[11] identified significant or major remaining challenges towards achievement of the relevant SDGs for the vast majority of potential project locations in Sub-Saharan Africa and Asia. With a clearly defined target population, the projects ultimately financed under this category aim at benefitting people in developing countries that are part of the least wealthy layer in the pyramid as first defined by C.K. Prahalad. Additionally, since the financing is also targeted at Microfinance institutions and MSMEs, which are responsible for the majority of employment in developing countries, the expected positive social impacts of the financed projects are substantial and of a longer-term nature, although the targeted companies may be rather large in size, measured in terms of employees or revenues. Given the very high relevance of the ultimately financed projects and entities to respond to the social issue of unemployment, the clear targeting of people in need of support and the very high magnitude of the positive impact that is generated, we deem the positive social impact of this category to be advanced.
Agriculture financing	ADVANCED	The agricultural sector presents substantial employment opportunities to people in developing countries and is the main source of food supply in the world[12]. With an average of 23.4% of the workforce working in the agricultural sector[13] it is one of the most relevant sources of employment worldwide. In many developing countries in Sub-Saharan Africa and Asia, more than every second job relates to this field of employment. SDGs 1 & 2 define necessary actions to be undertaken and the Sustainable Development Report[14] identified significant or major remaining challenges towards achievement of the relevant SDGs for the vast majority of potential project locations. The target population of small and marginal farmers in developing countries is clearly defined. Ultimate beneficiaries are part of the lowest layer of the wealth pyramid. The Bond's funds will increase the target population's accessibility to the necessary machineries, tools and equipment to scale up agricultural productivity, leading to longer-term positive social impacts. In order to achieve a more holistic contribution to sustainability, an area for improvement could be to integrate the active promotion of sustainable agricultural practices in the financed projects. We deem the ultimately financed projects and assets to be effective tools to address the highly relevant social issues of poverty and food supply that will benefit the clearly defined target population substantially and therefore assess the positive social impact of this category to be advanced.
Financial inclusion mainly targeted towards women	ADVANCED	The pursuit of gender equality is a global challenge as defined in SDG 5. Most of the developing countries in Sub-Saharan Africa and Asia identified as potential locations to finance projects are still facing significant or major challenges towards achieving the respective goals. The target population identified is the population in the least developed countries or underserved areas of emerging markets, which will be granted access to financing via microfinance institutions with minimum 15% female employees. The expected social impacts of the project are substantial and of a longer-term nature, as the proceeds are targeted to family income generation activities, educational activities, consumer products, dairy cattle or agricultural activities. Due to a very high relevance of the expected social benefits and their clear magnitude on the improvement on the described social issues for a clearly defined target group, we consider the positive social impact of this category to be advanced.

[11] https://dashboards.sdgindex.org/map
[12] https://www.fao.org/3/y4683e/y4683e06.htm
[13] https://www.theglobaleconomy.com/rankings/employment_in_agriculture/
[14] https://dashboards.sdgindex.org/map

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Affordable Housing	ADVANCED	SDG 11.1 within SDG11 addresses the lack of access for all to adequate, safe and affordable housing and basic services and the Sustainable Development Report identified significant or major challenges for all indicative project locations listed in the Issuer's Framework. The ultimate target group benefitting from access to affordable housing loans are be people from the low- and middle-income segment according to their national definition, that would alternatively live in slums or other informal houses. The bond's proceeds will be used to enable this target population to live in a safe and healthy environment, which we deem as empowerment. In total, we assess the positive social impact of this category to be advanced to the very high relevance of the addressed issues and the very high magnitude of the expected improvements for the defined target group.
Solar	ADVANCED	The need for universal access to affordable, reliable and modern energy services and a substantial share of renewable energy in the global energy mix, as well as the need for national policies, strategies and planning to integrate climate change measures is described in SDGs 7 & 13, respectively. Especially the lack of access to reliable energy sources is an issue that represents significant and major challenges to all countries mentioned in the indicative locations list in the Issuer's Framework. The ultimate target population benefitting from increased access to energy sources via solar off-grid solar panels are people living in developing countries that are part of the lowest layer of the wealth pyramid according to C.K. Prahalad. While this pyramid measures the level of poverty in financial terms, this usually translates largely into the levels of energy poverty the people face. Providing people in underserved areas with access to energy empowers them to undertake activities to secure or increase their income, health and safety. Due to the very high relevance, especially in terms of access to energy sources and the very high magnitude of the benefits this has on the very clearly defined target group, we consider the positive social impact of this category to be advanced.
Vehicle finance	ADVANCED	The need for fostering development-oriented policies that support productive activities and therefore ultimately economic growth is described in SDG8. By definition, developing countries, such as those countries mentioned in the indicative list of potential locations in the Framework, face significant or major challenges in the achievement of SDG 8. This category aims to benefit people with small businesses (e.g. farms) or offering service activities, that are part of the lowest layer of the wealth pyramid as defined by C.K. Prahalad and that would benefit from upscaling opportunities via increased mobility or access to tractors. By financing vehicle finance companies, the bond's proceeds would empower such small business owners or service providers to expand their business and service activities independently and contribute to the overall economic growth in their countries. In order to achieve a more holistic contribution to sustainability, an area for improvement could be to integrate environmental considerations by setting emissions thresholds of the financed vehicles in line with international standards. We therefore deem the positive social impact of this category to be advanced, due to the very high relevance of the issues its projects address and the high magnitude of the anticipated improvements it will have on the clearly defined target population.

OVERALL ASSESSMENT	ADVANCED

ESG Risks Identification and Management Systems in Place at Project Level

The identification and management of the environmental, social, and governance risks associated with the Eligible Projects are considered robust.

Environmental and Social Management System (ESMS)

BLI has disclosed to Moody's ESG Solutions its Environmental and Social Management System for BLI Funds, advised by Social Investment Managers and Advisors (SIMA), which sets the approach and framework for managing environmental and social risk associated to BLI's investments. The ESMS is deployed by SIMA on behalf of BLI and is applied throughout the investment process, including due diligence, approval, disbursement, monitoring and maturity.

More specifically, the ESMS includes an Environmental and Social Policy for BLI Funds which is designed to identify, evaluate and categorise and manage ESG risks of portfolio companies. This approach to identify and manage ESG risks is based on the general framework of the International Finance Corporation's (IFC) Environmental and Social Performance Standards[15].

Additionally, on behalf of BLI, SIMA uses different tools including guidelines, checklists and scorecards, consistent with the IFC Standards, which are used remotely and during field visits in due diligence, as well as in monitoring during the investment period, to identify and assess specific ESG risks. SIMA has also developed ESG Checklists relevant for off grid solar, microfinance, SME and social enterprise sectors which elaborates these Performance Standards and helps to identify and determine levels of ESG risk. Moreover, SIMA's policy for the BLI Funds prevents investments of the BLI fund into in any company involved in 'Category A' business activities, as defined under the IFC's Environmental and Social Categorization[16],referring to activities with potentially significant adverse environmental or social risks or impacts. In the case of detection of a material event of fraud, corruption or an environmental (or social) risk, the BLI Fund will adequately notify the investors if the case is deemed to be detrimental to the business operations and/or assets of the Fund.

Pre-disbursement, SIMA undertakes desk reviews of borrowers' ESG processes to assess for adequacy and to identify gaps, and requests any ESG audits from prospective borrowers if available. SIMA also completes ESG due diligence questionnaires, guidelines and ESG checklist, some of which include observations which may be made remotely or during on-site visits. Besides SIMA's internal review, external consultants with expertise in technical aspects of ESG assessment may be hired to assist. In the off grid solar sector, distributors as well as manufacturing companies are evaluated. BLI reports that the results of the ESG assessment and any recommendations are included in memos to the respective BLI Fund's Investment Committee. The Investment Committee may then require ESG action plans and covenants with borrowers (to be included in the loans granted) regarding managing environmental and social risks throughout the life of the investment. These covenants will require borrowers to follow guidelines set out by BLI and will be monitored and evaluated as part of the ESMS.

Post-disbursement, BLI reports that SIMA will updated its ESG assessments of borrowers annually, and depending on local conditions will aim to include on-site visits of at least fifteen percent 15% of borrowers per annum. In case of non-compliance and contingent upon the risk, redemption of the loan may be required.

Environmental Risks

Most environmental risks identified for eligible projects relate to IFC's Performance Standard 3: Resource Efficiency and Pollution Prevention. Via a systematic approach, SIMA's ESMS identifies and categorises environmental risks such as the release of air pollutants, the release of liquid effluents or contaminated wastewater into local water bodies or improper wastewater treatment, the generation of large amounts of solid waste and improper waste management, the improper management of hazardous substances, excessive energy use, excessive noise levels, and improper or excessive land use. Portfolio companies and borrowers will be assessed throughout the investment process in order to identify and monitor environmental risks with the help of IFC Standards compliant tools, such as guidelines, checklists and scorecards.

Regarding environmental risks associated with the manufacture of electronics and other equipment, SIMA will work to ensure that solar companies receiving SIMA's support are environmentally and socially sustainable. For instance, where relevant, SIMA reports to encourage its borrowers to integrate the three R's" of waste management (recycle, reuse, reduce) into their businesses and report on their waste management practices. SIMA also generally requires that financing goes toward off-grid solar companies products that meet international standards, such as Lighting Global, International Electrotechnical Commission, and equivalent standards. As per the risks associated to vehicles and agricultural infrastructure or equipment, SIMA will require that all assets to be financed comply with the regulations of the country in scope (e.g. emissions thresholds on engines). As per the environmental risks associated to affordable housing, BLI confirms that SIMA will ensure that all loans granted are compliant with the relevant local environmental regulations.

[15] https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards
[16] https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/es-categorization

Social Risks

Most social risks identified for eligible projects relate to IFC's Performance Standard 2: Labour and Working Conditions; Performance Standard 4: Community Health, Safety and Security; and Performance Standard 5: Land Acquisition and Involuntary Resettlement. Social performance is assessed through IFC Standards compliant tools including social scorecards, guidelines, and checklists.

In terms of human rights and labour and working conditions, SIMA assess portfolio companies' governance, employment and human resource policies for compliance with occupational health and safety, and other applicable labor laws and requirements. BLI also reports that SIMA analyses company's internal policies, objectives and compensation levels, and compare these against local and international standards, to identify and highlight any risks. SIMA reportedly encourages all borrowers to have anti-slavery and anti-child labor policies in their human resources policies.

Consideration of the following risks are undertaken through conversations with management, as well as with a sampling of community members when feasible, during and after on-site field visits: community health, safety, and security risks; the consequences of any land use or acquisition; and the impact of the portfolio companies' activities on indigenous peoples and cultural heritage. BLI also confirms that SIMA will ensure that all affordable home loans granted are compliant with the relevant local regulations in terms of health and safety.

Additionally, different risks related to responsible client relations appear to be addressed by SIMA. In regards to measures taken in place to ensure that access to financing is available to all, SIMA ensures that the MSMEs and microfinance institutions targeted have internal training programmes for their clients to prevent discrimination. Off grid solar companies and vehicle leasing companies also must provide relevant training to their employees. Furthermore, to address risks associated to credit capacity, SIMA ensures that microfinance institutions adequately control de capability of the target population. For instance it requires that microfinance institutions follow the Joint Liability Group (JLG) model targeting under-privileged women, with each group of 6-20 people. For loans linked to affordable housing, SIMA analyses a three parameter value which include the evaluation of the customer's annual income, employment status, purchase history, proposed property usage, and home loan status. As per the risks related to companies providing solar panels and off-grid solar products, SIMA requires that these companies abide by the lenders Code of Conduct which includes agreements from the borrower to commit to ensure Customer Protection, Product Quality, and Customer Service. SIMA also requires prospective financial inclusion company borrowers to endorse the SMART Campaign, the Social Performance Task Force, or equivalent customer protection principles. Moreover, issues related to the responsible management of client relationships after loans are granted is addressed by the external advisor SIMA, as part of its questionnaires which include different ESG topics including customer service related questions, as well as through SIMA's social performance analysis.

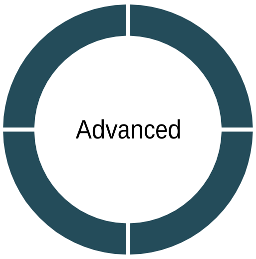
At portfolio level, BLI assesses the creditworthiness of its investees through a credit rating criteria checklist. A macro analysis is also performed on the country in which the investee candidate is located in order to assess the political risk, currency risk and inflationary risk which is present. BLI reports that it will tend to grant loans to financially robust borrowers who are not over-indebted where the total equity to asset ratio is above 20% and debt service coverage is at least 1x EBITDA. As per the interest rates applied to the loans of the investees, BLI reports that it relies on the state of the market and there is margin of manoeuvre. To prevent over indebtedness of its investees BLI reports to implement relevant measures such as restricting debts or rescheduling the interest and principal payments. Finally, issues related to the support of the social and economic development of the institutions and companies being financed by BLI, via the requirements in SIMA's questionnaires, it is evaluated whether extra-financial training and other customer services are provided by the investees.

Governance Risks

BLI's loan facility agreements include specific clauses covering anti-corruption, bribery, and anti-money laundering which the borrower must abide with. Through the credit rating of borrowers BLI also ensures that different aspects of business ethics and governance issues are reviewed as part of underwriting decisions. Additionally, during the closing and fund disbursal step of the investment process SIMA shall require its independent fund administrator to conduct a Know Your Customer (KYC) Anti-Money Laundering (AML), Anti-terrorism, anti-corruption, criminal and related checks on portfolio company borrowers and their managements and boards of directors. BLI also reports that borrowers undergo a financial audit.

Furthermore, BLI reports that its employees have the obligation to report any irregularities identified at the level of investments and that it trains its employees regularly on this matter. BLI has communicated that this obligation is also delegated to SIMA which is regulated by the U.S. SEC (Securities and Exchange Commission).

ISSUER AND RELATED ENTITIES



Banque Federative du Credit Mutuel (BFCM) is the holding company of Banque de Luxembourg which in turn owns Banque de Luxembourg Investments. BFCM carries the Group's subsidiaries and coordinates their activities undertaken through its minority and majority holdings in financial establishments. Its capital is held by the local cooperative banks and the Caisse Fédérale de Crédit Mutuel. BFCM is the central funding arm of the whole Group,"Crédit Mutuel Alliance Fédérale".

Level of ESG performance

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

As of September 2021, BFCM displays an overall advanced ESG performance, ranking 4th in our "Diversified Banking" sector which covers 31 companies. The BFCM's performance is considered advanced in the Environmental pillar, advanced in the Social pillar and robust in the Governance pillar.

DOMAIN	COMMENTS	OPINION
Environmental	BFCM's performance in the Environment pillar is considered <u>advanced</u>. In terms of indirect environmental impacts, BFCM has formalised policies for specific high impact sectors and Crédit Mutuel Alliance Fédérale decided to reduce the exposure of its finance and investment portfolios to coal to zero by 2030 for all countries in the world. Similarly, Crédit Mutuel Alliance Fédérale chose to stop financing projects which are connected with exploration, production, transport infrastructure or transformation of shale oil or shale gas; oil from bituminous sands; heavy and extra heavy oil and oil extracted in the Arctic. Additionally, through its 2019-2023 strategy, quantitative targets have been set to increase financing to projects with a positive climate impact. KPIs related to CO2 emissions linked to the company's portfolio and financing to renewable projects display positive trends. Regarding direct environmental impacts, BFCM aims to decrease the group's carbon footprint by 30% by 2023. Also, reinforced efforts appear to be in place in terms of sustainable mobility of employees.	Advanced Robust Limited Weak
Social	BFCM's performance in the Social pillar is considered <u>advanced.</u> Following local regulation, social dialogue is well addressed with a Group Work Council and several collective agreements related to the quality of the work environment. In terms of career management and training, regular performance interviews are foreseen and training programs in place include risk management and compliance issues. In addition, specific career management and training schemes are geared towards seniors. Moreover, relevant efforts to manage reorganisations responsibly are reported to be in place, through an employment mobility program and re-training opportunities to limit redundancies. Concerning health and safety issues, adequate policies are adopted, including on stress at work, which was subject to a collective agreement. As per human rights, The Bank commits to respect human rights standards in its investment and lending activities. Furthermore, Employees' labour rights are well addressed through a collective agreement and their representatives are able to exercise their mandate adequately. Collective agreements are signed on diversity and non-discrimination issues and BFCM's 2019-2023	Advanced Robust

	strategy includes diversity targets. Several initiatives are taken to prevent discrimination and diversity KPIs show an improving trend. As per Community Involvement, BFCM's contributes to the promotion of social and economic development through the support given to SMEs, public and community investment and micro-finance providers, and its active collaboration with stakeholders. In addition, the Bank has adopted a Private Banking Sector Policy aimed at deterring clients from any type of fiscal fraud or tax evasion. The Company reports significantly on taxes paid.	Limited
	In term of Business Behaviour, the Company has detailed formalised policies and dedicated measures in place to ensure transparent and fair relations with its customers. The accessibility of its products and services is formalised and enforced through quantitative targets. BFCM guaranteed the access to basic banking products and credit solutions for people in financial difficulties, as well as systems to prevent the discrimination of customers, adequate training for employees and partnerships with NGOs. The company has also allocated some measures to support customers in financial distress, including programmes to involve employees and stakeholders, and a dedicated structure and partnerships with stakeholders. KPIs related to the promotion of financial inclusion show a positive trend. In terms of data security, responsibilities are well defined and dedicated resources and measures are reportedly established.	Weak
Governance	BFCM's performance in the Governance domain is considered robust. The ratio of CEO compensation vs. average employee salary has increased over the past 3 years, and the Board of Directors decided to increase termination benefits to two years' compensation. As a non-listed cooperative Bank, BFCM is part of a decentralized group whose directors are eligible to be members of the Board of Directors as a result of their own elected status. The SMR function is integrated into the Crédit Mutuel Alliance Fédérale Risk and Compliance Department. The internal controls system covers most of the CSR risks and their mapping is approved by the Risk Committee and the Risk Monitoring Committee, also integrating risk-related training. Adequate procedures of audit and internal controls seem to be in place. As to remuneration, elements of executive remuneration are disclosed. Sound internal controls are in place to prevent corruption and money laundering. Moreover, BFCM supports an internal culture of responsible business conduct through dedicated initiatives. Reporting on lobbying strategy remains quite limited.	Advanced Robust Limited Weak

Management of ESG Controversies

A screening on potential ESG controversies has been conducted on Opportunity S.A, the securitization company issuing the Social Bond; Banque de Luxembourg Investments, the Investment Manager of the Special Purpose Vehicle – named RAIF Sicav S.A. ("Impulsum"); and Impulsum's main sponsors' including Banque de Luxembourg, Credit Industriel et Commercial SA (CIC), and Banque Federative du Credit Mutuel SA.

As of today, the review conducted by Moody's ESG Solutions did not reveal any ESG controversy against Opportunity S.A over the last four years.

As of today, the review conducted by Moody's ESG Solutions did not reveal any ESG controversy against BLI – Banque de Luxembourg Investments SA over the last four years.

As of March 2022, Banque de Luxembourg SA faces 1 stakeholder-related ESG controversy, linked to 2 of the six domains we analyse:

- Business Behaviour (C&S), in the criteria of "Corruption and money laundering"
- Corporate Governance, in the criteria of "Internal controls & risk management"

Frequency: The controversy faced is considered "isolated"[17]; better than the sector average.

Severity: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "high", in line with the sector average.

Responsiveness: Banque de Luxembourg SA is considered overall "remediative"[18], better than the sector average.

As of March 2022, Credit Industriel et Commercial SA faces 1 stakeholder-related ESG controversies, linked to 2 of the six domains we analyse:

- Business Behaviour (C&S), in the criteria of "Corruption and money laundering"
- Corporate Governance, in the criteria of "Internal controls & risk management"

Frequency: The controversy faced is considered "isolated"[19]; better than the 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"[20], lower than the sector.

Responsiveness: Credit Industriel et Commercial SA is considered overall "reactive", in line with the sector average.

As of March 2022, Banque Federative du Credit Mutuel SA faces 4 stakeholder-related ESG controversies, linked to 4 of the six domains we analyse:

- Additional Analysis, in the criterion of "Additional business behaviour analysis"
- Community Involvement, in the criterion of "Social and economic development"
- Business Behaviour (C&S), in the criteria of "Information to customers" and "Corruption and money laundering"
- Corporate Governance, in the criterion of "Internal controls & risk management"

Frequency: The controversies faced are considered "occasional"[21], better than the sector average.

Severity: The severity of the cases, based on the analysis of the impact on both the Issuer and its stakeholders, are considered "high"[22] , in line with the sector.

Responsiveness: Banque Federative du Credit Mutuel SA is considered overall "reactive"[23],in line with the sector.

[17] Scale of assessment: Isolated / Occasional / Frequent / Persistent.
[18] Scale of assessment: Non-communicative / Reactive / Remediative / Proactive.
[19] Scale of assessment: Isolated / Occasional / Frequent / Persistent.
[20] Scale of assessment: Minor / Significant / High / Critical.
[21] Scale of assessment: Isolated / Occasional / Frequent / Persistent.
[22] Scale of assessment: Minor / Significant / High / Critical.
[23] Scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

Involvement in Controversial Activities

A screening on the involvement in Controversial Activities has been conducted on Opportunity S.A, the securitization company issuing the Social Bond; Banque de Luxembourg Investments, the Investment Manager of the fund RAIF Impulsum Sicav S.A. ("Impulsum"); and Impulsum's main sponsors' including Banque de Luxembourg, Credit Industriel et Commercial SA (CIC), and Banque Federative du Credit Mutuel SA.

As of March 2022, Opportunity S.A. appears to not be 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.

As of March 2022, BLI - Banque de Luxembourg Investments SA appears to not be 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.

As of March 2022, Banque de Luxembourg SA appears to not be 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.

As of March 2022, Credit Industriel et Commercial SA appears to not be 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.

As of March 2022, Banque Federative du Credit Mutuel SA is involved in one of the 17 controversial activities screened under our methodology namely:

- Minor involvement in Alcohol: Banque Federative du Credit Mutuel has an estimated turnover from alcoholic beverages which is below 5% of total turnover.

The Issuer appears not to be involved in any of the 16 controversial activities screened under our methodology, namely: 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 Moody's ESG Solutions.

METHODOLOGY

In our 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, we provide 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.

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 Green and/or Social Bond Principles

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

The Framework has been evaluated by Moody's ESG Solutions according to the *ICMA's Social Bond Principles - June 2021 ("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. Moody's ESG Solutions 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 Moody's ESG Solutions 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 Moody's ESG Solutions on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by Moody's ESG Solutions 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

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

Expected positive impact of the activities on social objectives

The expected positive impact of activities on environmental/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/social objective for the sector of the activity;[24]

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);

iii) the magnitude and durability of the potential impact of the proposed activity on the environmental/social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);

iv) for environmental objectives only: the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of Moody's ESG Solutions' 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 us. The Issuers' ESG performance has been assessed by us 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.

[24] 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.

Management of Stakeholder Related ESG Controversies

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

We 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.

We provide 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).
- 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, our 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.

OUR ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability	
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 ESG risk management & using innovative methods to anticipate new risks.
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 ESG risk management or an advanced expected impact combined with a limited level of assurance of ESG risk management.
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 ESG risk management; or a robust expected impact combined with a limited to weak level of assurance of ESG risk management; or an advance expected impact combined with a weak level of assurance of ESG risk management.
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 ESG risk management or a limited expected impact with a weak level of assurance of ESG risk management.

Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
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.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the LMA/APLMA/LSTA's Green Loan Principles ("GLP").
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.
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 MOODY'S ESG SOLUTIONS' INDEPENDENCE AND CONFLICT-OF-INTEREST POLICY

Transparency on the relation between MOODY'S ESG and the Issuer: MOODY'S ESG has not carried out any audit mission or consultancy activity for BLI – Banque de Luxembourg Investments. No established relation (financial or commercial) exists between MOODY'S ESG and BLI – Banque de Luxembourg Investments. Independence, transparency, quality and integrity requirements are all formalised within our Moody's Code of Conduct.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to MOODY'S ESG. MOODY'S ESG has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by MOODY'S ESG neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. MOODY'S ESG 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. Restriction on distribution and use of this opinion: The deliverables remain the property of MOODY'S ESG. The draft version of the Second Party Opinion by MOODY'S ESG is for information purpose only and shall not be disclosed by the client. MOODY'S ESG grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond (s) issuance. The Issuer acknowledges and agrees that MOODY'S ESG reserves the right to publish the final version of the Second Party Opinion on MOODY'S ESG's website and on MOODY'S ESG's internal and external communication supporting documents.