

JULY 2021



**AFL**  
**SUSTAINABILITY BOND**  
**2021 REPORTING**

# EDITORIAL

*By Yves Millardet, Chairman of the AFL Management Board*



2020 began with an unprecedented global health crisis whose effects on economic and financial activity over the past months increased uncertainties for French local authorities.

Meanwhile, AFL's role has taken on added meaning with the heightened risks stemming from the COVID crisis. AFL has made substantial sums available to its member local authorities in the form of loans, thereby making an active contribution to the government's stimulus plan, focused on the ecological transition. AFL's credit commitments increased by 22% to almost than €5 billion and welcomed a large number of new local authorities reaching more than 450 members at June 30th, 2021.

From its creation, AFL has been conceived by French local authorities as a responsible bank aiming at providing them with cost-efficient resources. In 2020, AFL chose to formalize its overall contribution to sustainable development goals and make it better known by committing to an ESG approach. This approach relies on three levels: to reaffirm AFL identity and specificities in the local authority funding landscape by adopting a corporate purpose, values and deepening governance and transparency towards stakeholders; to strengthen AFL commitments as a company (homeworking, soft mobility, professional disconnection, gender equality, electronic signature of documents, etc.) and to provide French local authorities with sustainable resources by issuing AFL first sustainable bond.

In 2020, AFL built an innovative Sustainability Bond mechanism, assessed by Vigéo. On July 13, 2020, AFL carried out its inaugural sustainability bond issue in the amount of €500 million, contributing to finance or refinance local authorities' investments dedicated to environmental and social projects. Our framework provides two majors advantages : it allows all types of local authorities, including small municipalities to access to sustainable financing and it prevents local authorities from many operational and administrative complexity (structuring a framework, providing reports and details on projects).

Local authorities are fully committed to making ecological transition progress. It was natural that AFL, the bank they own, could provide them with sustainable funding to support their investments.

# CONTENTS

• ABOUT AFL	4
• ESG at AFL	6
• AFL FUNDING	9
• AFL SUSTAINABILITY BOND FRAMEWORK	12
• AFL SUSTAINABILITY BOND USE OF PROCEEDS REPORTING	15
• EXTERNAL REVIEW	28



# ABOUT AFL

## THE FRENCH LOCAL GOVERNMENT FUNDING AGENCY



**Public Development Bank** dedicated to the funding of French local authorities



**Local authorities** : only shareholders, only borrowers, only guarantors.

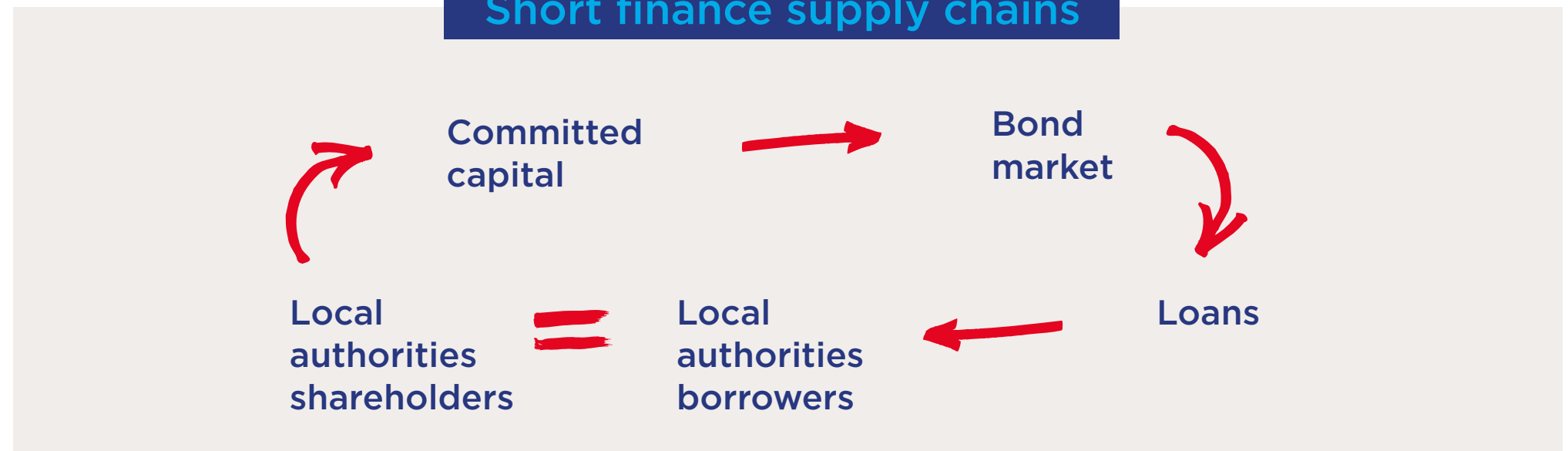


Authorized by the banking law dated **26 July 2013**



The mission of AFL is to embody a **responsible finance to strengthen the local sector's empowerment so as to better deliver the present and future needs of its inhabitants.**

### Short finance supply chains



#### Regions

Main responsibilities:  
Economic development, transports and high schools



#### Departments

Main responsibilities:  
Social work, public roads and middle schools



#### Groupings of local authorities

Main responsibilities:  
share investments in transport, sewerage, waste management, wire...



#### Local public entities

Manage public services on behalf of a local authority in areas such as fire fighting, social support, ...



#### Municipalities

General competency at local level (mainly housing, environment, primary schools...)

# ABOUT AFL

## KEY FIGURES

MOODY'S  
INVESTORS SERVICE

Aa3 / P-1

S&P Global  
Ratings

AA- / A-1+

Almost  
**€5,5 BILLION**  
Raised by AFL on bond  
market since 2015

**€1,13 BILLION**  
Raised by AFL on bond  
market in 2020

**453**

Member local authorities  
(as of June 30th 2021)

**45%**

Of French inhabitants live  
in local authority member  
of AFL  
(as of December 31st 2020)

**18%**

Share of AFL member local  
outstanding authorities'  
debt among French public  
local debt.  
(as of December 31st 2020)

Almost  
**€5 BILLION**

Lent to local authorities  
since 2015  
(as of June 30th 2021)

**€ 937 MILLION**

Of loans granted to members  
in 2020

**80%**

Share of loans' consultations in  
which AFL was selected in 2020.

Near  
**40%**

Of market share among member  
local authorities (2020)

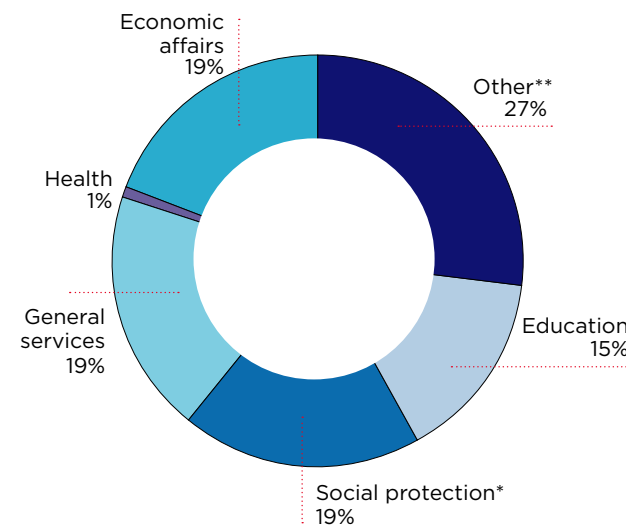


## FRENCH LOCAL AUTHORITIES : KEY ACTORS IN TRANSITION TO SUSTAINABILITY

### % OF SUBNATIONAL GOVERNMENT EXPENDITURE

The main categories of French Public Local Authorities investment expenditures are:

- economic affairs and transport,
- social protection (mainly the municipalities and the departments)
- and public services and education.



\*Social protection expenditure includes both capital and current expenditure.

\*\* Other: housing and community amenities; security and public order; recreation, culture and religion; environmental protection.

Source: OECD (2018), Subnational governments in OECD Countries: Key Data

**75%**  
of leverage to  
success ecological  
transition belong to  
local authorities  
(according to french  
low carbon strategy,  
March 2020)

**50%**  
of french  
greenhouse gas  
emissions are  
directly or indirectly  
determined by  
local authorities  
investments  
(according to  
ADEME)

from  
**7 TO 9 € BILLION**  
has to be invested every year by French government  
by 2023 to fulfill national commitments  
(according to I4CE)

## AFL'S BUSINESS MODEL IS AT THE VERY HEART OF SUSTAINABLE FINANCE

In 2020, AFL chose to formalize its overall contribution to sustainable development goals and make it better known through ESG Commitments :



### A UNIQUE GOVERNANCE : TRANSPARENCY & CHINESE WALL

- A dual company governance to prevent conflicts of interests :
  - Local authorities are the only shareholders of the financial company ;
  - A credit institution governed by independant banking experts.

**3 strong values :**  
expertise,  
transparency,  
solidarity



### A COMMITMENT TO FINANCE A SUSTAINABLE DEVELOPMENT : FROM FUNDING TO LENDING

- A funding strategy that encourages a diversity of debt instruments and of the investor base ;
- A conservative liquidity policy with a commitment to build a sufficient liquidity reserve to maintain operationnal activities for a period of twelve months ;
- A lending activity 100% dedicated to local authorities projects ; AFL participates in the financing of local authorities' investments in social and environmental areas. These investments contribute to achieving sustainable development goals for local authorities and the country.



### A RESPONSIBILITY AS A COMPANY TO DEPLOY A POSITIVE IMPACT

- Digitize business processes such as electronic signature of contracts and remote working charter of employees ;
- Reduce greenhouse gas emissions : waste recycling, use of train for business trips ;
- Take social and environmental issues into account in the procurement policy ;
- Participate in the professional integration of young people ;
- Various commitments to reduce environmental footprints and promote social well-being.

## MAIN COMMITMENTS OF CORPORATE RESPONSIBILITY



### GOVERNANCE DIVERSITY

Gender representation:

- Gender diversity in the Supervisory Board and the Executive Board
- Greater degree of gender mix at all corporate level

Representation of all categories of local governments to the Board of Directors of AFL-ST  
6 independent directors out of 11 at the Supervisory Board



### EQUALITY

Capital contribution to the AFL Group commensurate to the total outstanding debt of each local authority  
Similar loan pricing for same internal scoring



### DISTRIBUTION OF ECONOMIC VALUE

AFL Group does not pursue an objective of shareholder value maximization  
Value is directed towards all stakeholders :

- Borrowers with competitive loan pricing
- Investors with regular, predictable bond issuance
- Annual profits added to retained earnings to build up the capital base with a pay out ratio set at a maximum of 5%
- retained earnings



### RESPONSIBLE POLICIES

AFL financial strategy and policies pursue an objective of wealth preservation, business sustainability, long- term confidence of investors





# AFL FUNDING STRATEGY :

## FACTS AND FIGURES

**7 LISTED public euro denominated benchmarks**

under EMTN programme have been launched by AFL

**Almost € 5,5 BILLION**  
Raised by AFL on bond market since 2015

**190 INVESTORS** have been participating in AFL's transactions since the beginning.

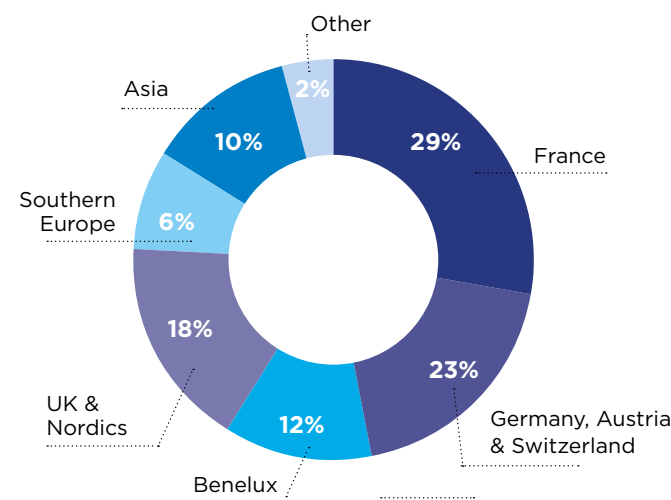
A multicurrency €8Bn EMTN programme that allows to issue medium to long term notes in various currencies in the form of public or private placement transactions.

• Long term commitment to issue at least one Euro denominated benchmark per year.

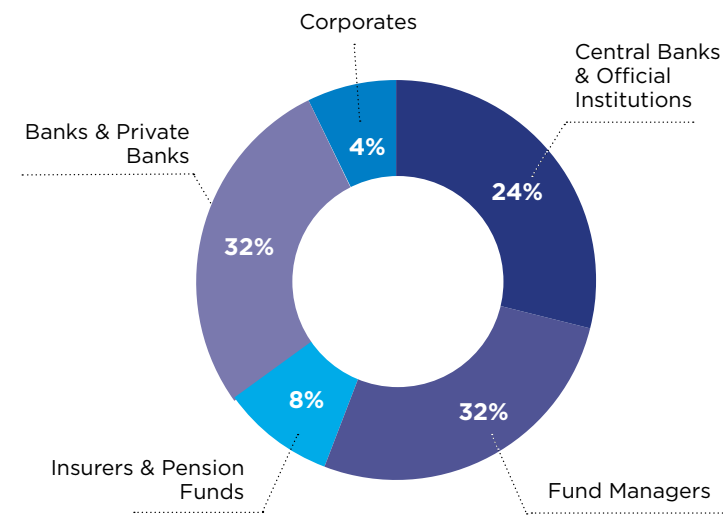
As of June 30th 2021

	March 2022	March 2023	June 2024	June 2026	Sept 2027	June 2028	March 2031
<b>Outstanding Amount (in €M)</b>	<b>750</b>	<b>750</b>	<b>750</b>	<b>600</b>	<b>500</b>	<b>1 000</b>	<b>750</b>
<b>Coupon</b>	0.375%	0.25%	0.50%	0.125%	0.00%	0.125%	0.00%

**INVESTORS BY GEOGRAPHICAL REGION**



**INVESTORS BY TYPE**



A dedicated Sustainability Bond programme to refinance eligible loans granted to French Local Authorities.

• Long term commitment to issue at least a sustainability bond every two years.

# AFL FUNDING STRATEGY :

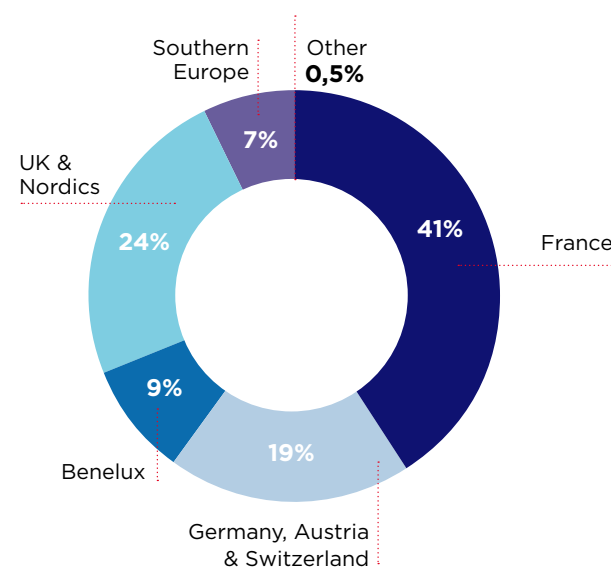
## JULY 2020 SUSTAINABILITY BOND ISSUANCE

In July 2020, AFL carried out its first issue of a Sustainability bond in the amount of €500 million (7 years maturity), contributing significantly to the total resources raised on the bond market in 2020.

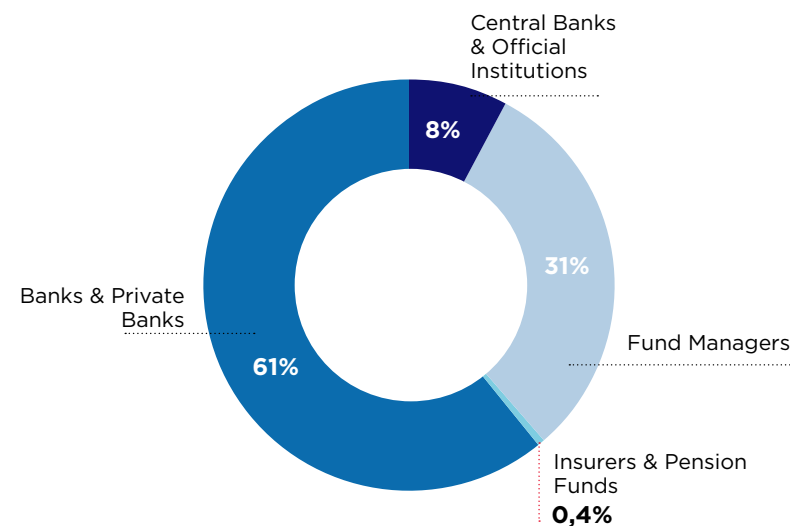
This issue of a Sustainability bond, which attracted a significant number of new investors, represented an important step in AFL's issuance strategy and its positioning as a public player committed to sustainable market finance.

The graphs below show the distribution of the Sustainability bond issuance :

INVESTORS BY GEOGRAPHICAL REGION



INVESTORS BY TYPE



# AFL FUNDING STRATEGY :

## AFL SUSTAINABILITY BOND FRAMEWORK

- To formalize and make public its overall contribution to Sustainability development goals, AFL launched a project to issue Sustainability Bonds in 2019. This project makes it possible to contribute to the financing of sustainable development to which French local authorities are very committed while meeting a strong demand from investors in terms of the transparency of the assets that are financed by AFL.
- This project led to the establishment, in January 2020, of a Sustainability Bond Framework, in accordance with the Green Bond Principles, the Social Bond Principles and the Sustainability

Bond Guidelines of 2018 developed and promoted by the International Capital Market Association (ICMA).

- This plan was reviewed by Vigéo, the social and environmental rating agency. On January 9, 2020 Vigéo issued a reasonable assurance rating (the highest level of assurance) for AFL's commitments and the contribution of the Framework Document to sustainable development, and a moderate assurance rating (the second-highest level of assurance) for 2 of the 10 eligible categories ("Prevention and reduction of pollution" and "Accessible and sustainable infrastructures").




# AFL SUSTAINABILITY BOND FRAMEWORK

## SUSTAINABILITY BONDS REFLECTING LOCAL AUTHORITIES MAIN AREAS OF INTERVENTION

### MAIN AREAS OF INTERVENTION

### CONTRIBUTION TO UN SDGs



**Access to essential and basic social services**

- ▶ Encouraging access to education and culture by providing access to educational, sport, leisure and cultural facilities
- ▶ Supporting development of economic activity with the aim of promoting and retaining employment in underserved areas
- ▶ Supporting the access to essential health services
- ▶ Fostering social inclusion by providing equal access to essential services for vulnerable populations



**Energy and ecological transition**

- ▶ Contributing to energy transition and environmental sustainability by promoting a low-carbon and more climate resilient economy (low-carbon public transportation, renewable energies, etc.) and pollution prevention & control























**Sustainable infrastructure, development of cities and territorial cohesion**

- ▶ Promoting the development of the territories, urban transformations, reduction of the territorial divide, infrastructure development and public essential services
- ▶ Priority given to underserved areas



# AFL SUSTAINABILITY BOND FRAMEWORK

## ELIGIBLE ASSETS FOR USE OF PROCEEDS

ELIGIBLE CATEGORIES	TARGET POPULATION	EXAMPLES OF ELIGIBLE EXPENDITURES/INVESTMENTS		
 <p><b>Access to essential and basic social services</b></p>	Education & Culture	All population of the targeted Local Authorities	Construction of new schools, campus, student housing. Financing public libraries, archives and museums	
	Employment	Underserved Local Authorities	Financing to SMEs, initiatives promoting the attractiveness of territories, professional transition trainings	  
	Access to essential health services	All population of the targeted Local Authorities	Financing the construction, development, maintenance or renovation of healthcare facilities, medical equipment	
	Social inclusion	Vulnerable population groups	Construction of facilities aimed at providing specialized assistance for elderly people. Financing nurseries and kindergartens	 
 <p><b>Energy and ecological transition</b></p>	Low-carbon public transportation	All population of the targeted Local Authorities	Financing the construction, equipping, or maintenance of low-carbon public transportation facilities, such as any new rail facilities for public use, multimodal links or cycleways	 
	Pollution Prevention & Control	All population of the targeted Local Authorities	Financing public waste management facilities for waste reduction/recycling Financing prevention and awareness initiatives for waste reduction/recycling	 
	Renewable Energy	All population of the targeted Local Authorities	Financing the construction, equipping, or maintenance of renewable energy infrastructure (including wind and solar energy)	
 <p><b>Sustainable infrastructure, development of cities and territorial cohesion</b></p>	Sustainable water and wastewater management	All population of the targeted Local Authorities	Financing water network construction, maintenance and upgrade Financing wastewater treatment plants, such as sewage networks, wastewater treatment plants, on-site sanitation facilities	
	Affordable Housing	Social housing organisations, beneficiaries of rental assistance support schemes	Financing social housing, subsidies to social housing organisations, financial-aid programs to support tenants	
	Sustainable water and wastewater infrastructure	All population of the targeted Local Authorities	Financing the renovation, upgrade, safety of existing public buildings and public infrastructure. Financing public lighting. Financing facilities supporting rural development	  

► **Underserved Local Authority** is defined as any Local Authority which is ranked within the bottom third based on an internal scoring which is derived from the following public data and statistics: Rate of unemployment, Share of long-term unemployment, Share of population living in priority neighborhood, Poverty rate

# AFL SUSTAINABILITY BOND FRAMEWORK

## ELIGIBILITY EVALUATION & PROCEEDS ALLOCATION

The Process for eligibility evaluation and selection will ensure that the proceeds of AFL Sustainability Bonds are allocated to finance or refinance eligible expenditures that meet the criteria and objectives set out in the Framework.

DATA COLLECTION	ELIGIBILITY ANALYSIS	ALLOCATION
<p>Collect the relevant data to perform the analysis.</p>	<p>Estimate the share of eligible expenditures within each Local Authority's budget.</p>	<p>Select within the eligible portfolio the expenditures allocated to the Bond.</p>
<ul style="list-style-type: none"> <li>Official Budget frames analysis - if need be, update of the eligibility matrix set by AFL.</li> <li>Annual budget data extraction (official opendata made available by French Treasury) and integration in AFL dedicated IT tool - Only investment expenditures are considered; all the current/operational expenditures of the Local Authority are excluded from the scope of analysis (as AFL's loan can only be used to finance investments according to the Budgetary Golden Rule).</li> <li>Analysis and exclusion of irrelevant data (e.g. Local authorities not respecting the official budget frame - circa 2% excluded in AFL portfolio).</li> </ul>	<p><b>Core approach :</b></p> <ul style="list-style-type: none"> <li>Screen all the loans granted in a given year to Local Authorities , the corresponding year's annual Budget for the considered Local Authority and identify Eligible expenditures regarding the Eligibility Criteria set out in AFL's Sustainability Bond Framework - calculate the share of eligible expenditures within the overall investment budget of the Local Authority.</li> <li>Identify Underserved Local Authorities - defined as any Local Authority which is ranked within the bottom third based on an internal scoring which is derived from public data and statistics - For these specific entities, additional expenditures are considered eligible.</li> <li>The defined eligibility percentage is applied to the loans granted in the considered year by AFL to the corresponding Local Authority.</li> <li>Sum all the eligible loans to compute the amount to the overall portfolio of eligible loans likely to be allocated to AFL's Sustainability Bonds.</li> </ul>	<p><b>Exclusions from eligible portfolio :</b></p> <ul style="list-style-type: none"> <li>Expenditures out of the defined lookback period.</li> <li>Eligible expenditures already refinanced through Local Authorities' direct access to sustainable finance - Sustainable Bonds (dedicated exhaustive analysis made by banking counterparts), sustainable loans (expert-based analysis- made by AFL commercial teams)...</li> <li>Expenditures identified through AFL controversies analysis framework - led by AFL Sustainability Bond Committee - NB : no exclusion to date.</li> </ul> <p>Scoring methodology based on the following criteria : loan origination year, loan duration, balance between framework categories, balance between geographical location.</p> <ul style="list-style-type: none"> <li>Allocation decided by AFL Sustainability Bond Committee based on the scoring methodology.</li> </ul>

# REPORTING ON USE OF PROCEEDS

## KEY FACTS

### REPORTING COMMITMENTS AS PER AFL SB FRAMEWORK



#### ALLOCATION

- Total funds distributed per AFL's (i) main areas of intervention and (ii) Eligible categories
- Total funds used for refinancing or allocated to new loans
- Amount of unallocated proceeds (if any)

#### IMPACT

- Number, type, and geographical distribution of financed local authorities
- Contribution of the proceeds to the relevant UN Sustainable Development Goals (SDGs)

## GOVERNANCE

January 2021

Launch of the eligibility analysis process

March 2021

Validation of eligible assets portfolio by the relevant governance (AFL Sustainability Bond Committee)

April 2021

Launch of the allocation process

May 2021

Validation of the allocation by the relevant governance (AFL Sustainability Bond Committee)

June 2021

Formatting of the report.

Validation of the report by the relevant governance (AFL Sustainability Bond Committee)

July 2021

External review by KPMG

July 22nd 2021

Publication of the report.

# REPORTING ON USE OF PROCEEDS

## ALLOCATION REPORTING COVERAGE



### ALLOCATION COVERAGE

Proceeds Total Amount	500 000 000 €	
Amount allocated as of 31/12/2020	500 000 000 €	100%
Amount unallocated as of 31/12/2020	0 €	0%

- Aligned with issuance announcement, full allocation at day 1, maintained as of reporting reference date (31/12/2020).

### REFINANCING SHARE

Proceeds Total Amount	500 000 000 €	
Amount used for refinancing	500 000 000 €	100%
Amount used for upcoming new loans	0 €	0%

- Aligned with AFL Sustainability Bond Framework, funds fully allocated to refinance eligible assets – this also allowed to ensure full allocation at day 1.



# REPORTING ON USE OF PROCEEDS

## ALLOCATION REPORTING – FRAMEWORK ALIGNMENT

### FUNDS DISTRIBUTED PER ELIGIBLE CATEGORIES

Framework categories	Allocation (in €)	Share
<b>Access to essential and basic social services</b>	<b>304 559 084</b>	<b>61%</b>
Education & Culture	253 869 964	50,77%
Employment	32 343 405	6,47%
Access to essential health services	2 658 762	0,53%
Social inclusion	15 686 953	3,14%
<b>Energy and ecological transition</b>	<b>38 377 282</b>	<b>8%</b>
Low-carbon public transportation	11 184 513	2,24%
Pollution Prevention & Control	27 161 920	5,43%
Renewable Energy	30 849	0,01%
<b>Sustainable Infrastructure, development of cities and territorial cohesion</b>	<b>157 063 634</b>	<b>31%</b>
Sustainable water and wastewater management	19 081 628	3,82%
Affordable Housing	43 619 468	8,72%
Affordable and sustainable infrastructure	94 362 537	18,87%
<b>Total</b>	<b>500 000 000</b>	<b>100%</b>

### REFERENCE YEAR OF LOAN ORIGINATION

Year	Allocation (in €)	Share
2017	145 689 886	29%
2018	268 327 331	54%
2019	85 982 783	17%
<b>Total</b>	<b>500 000 000</b>	<b>100%</b>

- Aligned with AFL Sustainability Bond Framework, Funds allocated to refinance eligible assets in a look-back period of 3 years to the issuance year.



- Funds allocated to all the AFL Sustainability Bond Framework categories and subcategories, genuinely representing the typical investment scope of French local governments.

# REPORTING ON USE OF PROCEEDS

## IMPACT REPORTING

### LOCAL AUTHORITIES TYPOLOGIES

#### ALLOCATION BY LOCAL GOVERNMENT TYPOLOGIES

Local governments types	Nber	Allocation (in €)	Share
Regions	1	12 384 430	2%
Departments	5	47 861 990	10%
Metropolis	14	127 588 590	26%
Grouping of local authorities	41	125 087 006	25%
Municipalities	70	187 077 984	37%
Municipalities 100k+	11	92 054 293	18%
Municipalities 20k+	27	66 031 744	13%
Municipalities 20k-	32	28 991 947	6%
<b>Total</b>	<b>131</b>	<b>500 000 000</b>	<b>100%</b>

- ◆ Funds allocated to refinance loans granted to all the French local governments typologies and size, genuinely representing the spectrum of AFL borrowers.



# EXAMPLES OF INVESTMENTS OF LOCAL AUTHORITIES ALLOCATED IN AFL SUSTAINABILITY BOND

## DEPARTMENT OF ESSONNE

LOCATION : ILE-DE-FRANCE  
TYPE : DEPARTMENT

### INVESTMENT

Energy renovation of colleges and buildings



Framework Category :  
**Access to essential and basic social services**  
Education and culture



## TOULOUSE METROPOLIS

LOCATION : OCCITANIE  
TYPE : METROPOLIS

### INVESTMENT

Construction of elementary school  
Jean Zay



Framework Category :  
**Access to essential and basic social services**  
Education and culture



# REPORTING ON USE OF PROCEEDS

## IMPACT REPORTING GEOGRAPHICAL DISTRIBUTION

### GEOGRAPHICAL DISTRIBUTION OF ALLOCATION

Geographic localisation	Nber	Allocation (in €)	Share
Auvergne - Rhône-Alpes	23	46 136 923	9%
Bourgogne-Franche-Comté	7	19 507 815	4%
Bretagne	2	1 670 113	0,3%
Centre-Val de Loire	3	13 239 874	3%
Grand Est	11	37 633 926	8%
Hauts-de-France	18	121 413 989	24%
Ile-de-France	21	95 446 988	19%
Nouvelle-Aquitaine	10	45 720 447	9%
Normandie	8	28 798 767	6%
Occitanie	9	18 498 115	4%
Sud	8	21 446 391	4%
Pays de la Loire	9	37 548 347	8%
Overseas territories	2	12 938 305	3%
<b>Total</b>	<b>131</b>	<b>500 000 000</b>	<b>100%</b>

- Funds allocated to refinance loans granted in all of the French local territories (here represented by administrative regions), genuinely representing the geographical spectrum of AFL borrowers.



# EXAMPLES OF INVESTMENTS OF LOCAL AUTHORITIES ALLOCATED IN AFL SUSTAINABILITY BOND

## EUROPEAN METROPOLIS OF LILLE

LOCATION : HAUTS-DE-FRANCE  
TYPE : METROPOLIS

### INVESTMENT

**Modernization of sorting and waste treatment equipment to limit non-recovered waste**



Framework Category :

**Environmental and ecological transition**

**Pollution Prevention & Control**



## AGGLOPOLYS, SUBURBAN COMMUNITY OF BLOIS

LOCATION :  
CENTRE-VAL DE LOIRE  
TYPE :  
GROUPING OF LOCAL  
AUTHORITIES

### INVESTMENT

**Construction of multifunctional equipment for cultural, sporting and economic purposes : the Jeu de Paume.**



Framework Category :

**Access to essential and basic social services**

**Education and culture**



# REPORTING ON USE OF PROCEEDS

## IMPACT REPORTING FOCUS ON UNDERSERVED AREAS

### ALLOCATION IN UNDERSERVED AREAS

- Funds allocated to refinance loans mainly granted to local governments located in Underserved areas (as per AFL assessment methodology).

Local governments types	Non classified areas (in €)		Underserved areas <sup>1</sup> (in €)		Total (in €)
Regions	12 384 430	100%		0%	12 384 430
Departments	30 640 866	64%	17 221 123	36%	47 861 990
Metropolis	51 928 330	41%	75 660 260	59%	127 588 590
Grouping of local authorities	64 815 559	52%	60 271 447	48%	125 087 006
Municipalities	26 289 460	14%	160 788 524	86%	187 077 984
Municipalities 100k+		0%	92 054 293	100%	92 054 293
Municipalities 20k+	11 748 082	18%	54 283 662	82%	66 031 744
Municipalities 20k-	14 541 378	50%	14 450 569	50%	28 991 947
<b>Total</b>	<b>186 058 645</b>	<b>37%</b>	<b>313 941 355</b>	<b>63%</b>	<b>500 000 000</b>

<sup>1</sup>As per AFL assessment methodology

### ALLOCATION TO FULLY VS CONDITIONAL ELIGIBLE CATEGORIES

- Conditional eligible categories (only eligible for underserved areas) represent 25% of the overall amount of funds allocated.

(in €)	Full eligible categories <sup>2</sup>		Conditional eligible categories		Total	
Non classified areas	186 058 645	37%			186 058 645	37%
Underserved areas	187 235 412	37%	126 705 942	25%	313 941 355	673%
<b>Total</b>	<b>373 294 058</b>	<b>75%</b>	<b>126 705 942</b>	<b>25%</b>	<b>500 000 000</b>	<b>100%</b>

<sup>2</sup>As per AFL Framework, this category includes assets related to waste management, haircutted to 75% of the exposure

# EXAMPLES OF INVESTMENTS OF LOCAL AUTHORITIES ALLOCATED IN AFL SUSTAINABILITY BOND

## MUNICIPALITIES COMMUNITY OF TERRITOIRE DE LA CÔTE OUEST

LOCATION : REUNION (OVERSEAS TERRITORIES)  
TYPE : GROUPING OF LOCAL AUTHORITIES

### INVESTMENT

**Global development project with the State (economic, environmental...).**  
**TCO is the first ultramarine, island and tropical ecocity**



Framework Category :  
**Access to essential and basic social services**  
**Employment**



## MUNICIPALITY OF GRIGNY

LOCATION : ILE-DE-FRANCE  
TYPE : MUNICIPALITIES

### INVESTMENT

**Construction of a health center in La Grande Borne**



Framework Category :  
**Access to essential and basic social services**  
**Access to essential health services**



# REPORTING ON USE OF PROCEEDS

## IMPACT REPORTING

### NUMBER OF INHABITANTS IMPACTED

Geographic location	Departments	Metropolis	Grouping of local authorities	Municipalities 100k+	Municipalities 200k+	Municipalities 200k-
Auvergne - Rhône-Alpes		2 261 234	431 994	458 232	25 502	84 000
Bourgogne - Franche-Comté	569 531		213 637		81 423	33 115
Bretagne		214 022	66 169			
Centre-Val de Loire			108 871	139 698		17 564
Grand Est	192 588	760 412	180 552	119 538	31 993	3 573
Hauts-de-France	546 527	1 351 410	860 789	136 172		71 300
Ile-de-France	2 940 732		1 572 449	219 677	498 380	28 519
Nouvelle-Aquitaine		802 350	470 626	253 812	131 401	26 176
Normandie		497 180	76 988		187 533	5 148
Occitanie		780 995	211 712			20 274
Sud		1 900 023	168 807	869 815	20 050	24 571
Pays de la Loire		658 356	129 697	311 479	142 328	11 407
Oversee territories			214 963		33 106	
<b>Total</b>	<b>4 249 378</b>	<b>9 225 982</b>	<b>4 707 254</b>	<b>2 508 423</b>	<b>1 151 716</b>	<b>325 647</b>

- Proceeds of the issuance are used to refinance loans granted to local governments borrowers of AFL. AFL loans finance investments originated by these local governments. As such, financed investments will directly or indirectly impact citizens of these local governments >> circa 4m habitants of Departments, 14m in Metropolis/GLA, 4m in Municipalities of all size.

*NB : no line by line sum computed - as in some remote situations a double counting is possible (e.g. municipality belonging to a GLA and/or a Departement, both being AFL borrowers with eligible assets allocated)*



EXAMPLES OF INVESTMENTS OF LOCAL AUTHORITIES ALLOCATED IN AFL SUSTAINABILITY BOND

MUNICIPALITY OF SCHILTIGHEIM

LOCATION : GRAND EST  
TYPE : MUNICIPALITIES

INVESTMENT

Construction of the Scolar group Simone Veil



Framework Category :  
**Access to essential and basic social services**  
Education and culture



MUNICIPALITY OF LE BOUSCAT

LOCATION : NOUVELLE AQUITAINE  
TYPE : MUNICIPALITIES



INVESTMENT

Creation of new classes in kindergarten, construction of a nursery













Framework Category :  
**Access to essential and basic social services**  
Social inclusion

# REPORTING ON USE OF PROCEEDS

## IMPACT REPORTING CONTRIBUTION TO UN SDGs

### CONTRIBUTION OF THE PROCEEDS TO THE RELEVANT UN SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDG	Impact (in €)	Share	SDG	Impact (in €)	Share
	7 843 477	8%		10 781 135	2%
	2 658 762	1%		47 827 571	10%
	253 869 964	51%		50 078 791	10%
	19 081 628	4%		94 246 864	19%
	30 849	0,01%		13 580 960	2,72%

<b>1. Access to essential and basic social services</b>	Education & Culture	
	Employment	  
	Access to essential health services	
	Social inclusion	 
<b>2. Energy and ecological transition</b>	Low-carbon public transportation	 
	Pollution Prevention & Control	 
	Renewable Energy	
	Sustainable water and wastewater mgmt	
<b>3. Sustainable Infrastructure, development of cities and territorial cohesion</b>	Affordable Housing	
	Affordable and sustainable infrastr.	  

EXAMPLES OF INVESTMENTS OF  
LOCAL AUTHORITIES ALLOCATED IN  
AFL SUSTAINABILITY BOND

MUNICIPALITY OF  
SAINT-JULIEN-EN-GENEVOIS

LOCATION : AUVERGNE-RHÔNE-ALPES  
TYPE : MUNICIPALITIES

INVESTMENT

School complex  
construction



Framework Category :

**Access to essential and basic social services**  
Education and culture

# EXTERNAL REVIEW





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## Agence France Locale (AFL)

**Attestation by one of Agence France Locale's Statutory Auditors  
on the Allocation of Proceeds, as at December 31<sup>st</sup>, 2020 from the  
Sustainability Bond issuance of July 15<sup>th</sup>, 2020**

Agence France Locale  
112 rue Garibaldi, 69006 Lyon  
*This attestation contains 35 pages*

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*This is a free English translation of the Assurance Report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

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## Agence France Locale

Registered Office: 112 rue Garibaldi, 69006 Lyon

### Attestation by one of Agence France Locale's Statutory Auditors on the Allocation of Proceeds, as at December 31<sup>st</sup>, 2020 from the Sustainability Bond issuance of July 15<sup>th</sup>, 2020

In our capacity as Statutory Auditor of Agence France Locale (the **Company**) and in response to your request, we have prepared this attestation on information relating to the allocation, on December 31<sup>st</sup>, 2020, of the proceeds from the Sustainability Bond issuance of July 15<sup>th</sup>, 2020 (the **Sustainability Bond**), as reported in the document "AFL Sustainability Bond 2021 Report" (the **Document**), attached to this attestation.

This Document, including the information regarding the Sustainability Bond of the Company according to the terms and conditions of the issuance agreement and the *Sustainability Bond Framework* (the **Framework**), is intended for sustainability bondholders. This Document states that the proceeds have been allocated (the **Allocated Funds**) to refinanced loans (the **Refinanced Loans**) as defined in the Framework, as of December 31<sup>st</sup>, 2020.

The Document was prepared under your responsibility. The methods and eligibility criteria used to determine the Allocated Funds are defined in the Framework.

It is our responsibility to report on the following information:

- the compliance, in all material aspects, of the Refinanced Loans with the eligibility criteria specified in the Framework;
- the consistency of the allocation of the net proceeds to the Refinanced Loans with the accounting and the underlying accounting data, as of December 31<sup>st</sup>, 2020.

However, it is not our responsibility to:

- question the project eligibility criteria validated in the Second Party Opinion provided by Vigeo Eiris prior to issuance of the Green Bond and, in particular, to give an interpretation of the terms of the Framework;
- provide an opinion on:
  - the proper enforcement of the proceeds management policy before their allocation;
  - the use of proceeds for eligible projects subsequent to allocation;
  - the non-financial impact indicators communicated in the Document.

**Agence France Locale**

*Attestation by one of Agence France Locale's Statutory Auditors on the Allocation of Proceeds, as of December 31<sup>st</sup>, 2020 from the Sustainability Bond issuance of  
July 15<sup>th</sup>, 2020  
July 22<sup>nd</sup>, 2021*

Our assignment, which constitutes neither an audit nor a review, was performed in accordance with the professional doctrine of the French national auditing body (Compagnie Nationale des Commissaires aux Comptes). Our work consisted in:

- identifying the people responsible for the data collection disclosed in the Document within the Company and, where appropriate, for the internal control and risk management procedures implemented;
- assessing the appropriateness of the data collection procedures in terms of their relevance, completeness, reliability, neutrality and understandability;
- verifying the existence of internal control and risk management procedures implemented by the Company;
- verifying the concordance of the amounts of Refinanced Loans with the accounting and the underlying accounting data selected from fiscal years 2017, 2018 and 2019;
- verifying the correct application of the methodologies for calculating the amounts of Refinanced Loans selected from the fiscal years 2017, 2018 and 2019 by reconciling them with the source documents that we considered necessary for these calculations;
- examining the processes used for data collection, compilation, processing and control, particularly the procedures relating to the allocation of the Allocated Funds as of December 31<sup>st</sup>, 2020;
- verifying the amount of the Allocated Funds to Refinanced Loans is lower or equal to the outstanding amount of these loans as of December 31<sup>st</sup>, 2020.

**Based on our work, we have no comments regarding:**

- **the compliance, in all material respects, of the Refinanced Loans with the eligibility criteria specified in the Framework;**
- **the consistency of the allocation of the net proceeds to the Refinanced Loans with the accounting and the underlying accounting data, as of December 31<sup>st</sup>, 2020.**

This attestation has been prepared for you in connection with the context mentioned in the first paragraph and it may not be used, disclosed or referred to for any other purpose.

In our capacity as Statutory Auditor of Agence France Locale, our responsibility towards the Company is defined by French law and we do not accept any extension of our responsibility beyond that set out in French law. We do not owe or accept any duty of care to any third party, including sustainability bondholders, in connection with the Sustainability Bond final terms agreement (including the Sustainability Bond Framework) to which we are not party. In no event, we shall be liable neither for the execution of the Sustainability Bond final terms agreement (including the Sustainability Bond Framework) nor for any resulting damage, loss, cost or expense.

This attestation is governed by French law. The French courts shall have exclusive jurisdiction in relation to any claim, difference or dispute which may arise out of or in connection with our engagement letter or this attestation report. Each party irrevocably waives any right it may have



**Agence France Locale**

*Attestation by one of Agence France Locale's Statutory Auditors on the Allocation of Proceeds, as of December 31<sup>st</sup>, 2020 from the Sustainability Bond issuance of*

*July 15<sup>th</sup>, 2020*

*July 22<sup>nd</sup>, 2021*

to object to an action being brought in any of those Courts, to claim that the action has been brought in an illegitimate court or to claim that those Courts do not have jurisdiction

Paris-La Défense, July 22<sup>nd</sup>, 2021

KPMG S.A.

Anne Garans  
*Partner*  
Sustainability Services

Ulrich Sarfati  
*Partner*



# YOUR CONTACTS AT AFL



**Jérôme BESSET**  
Executive Director  
Sustainable Bond structuring  
and management



**Yves MILLARDET**  
Chairman of the Executive Board



**Thiebaut JULIN**  
Chief Financial Officer and  
Member of the Executive board



**Romain NETTER**  
Executive Director  
Medium and Long-Term Funding



**Lucille SIMON**  
Executive Director  
Head of Communication



**Maelien BOREL**  
Funding officer - Medium and  
Long-Term Funding



**AFL**  
**SUSTAINABILITY BOND**  
**2021 REPORTING**