

AFL

La banque des  
collectivités locales



**SUSTAINABILITY**  
**REPORT OF AFL**

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**FOR THE PERIOD FROM  
1 JANUARY TO  
31 DECEMBER 2025**

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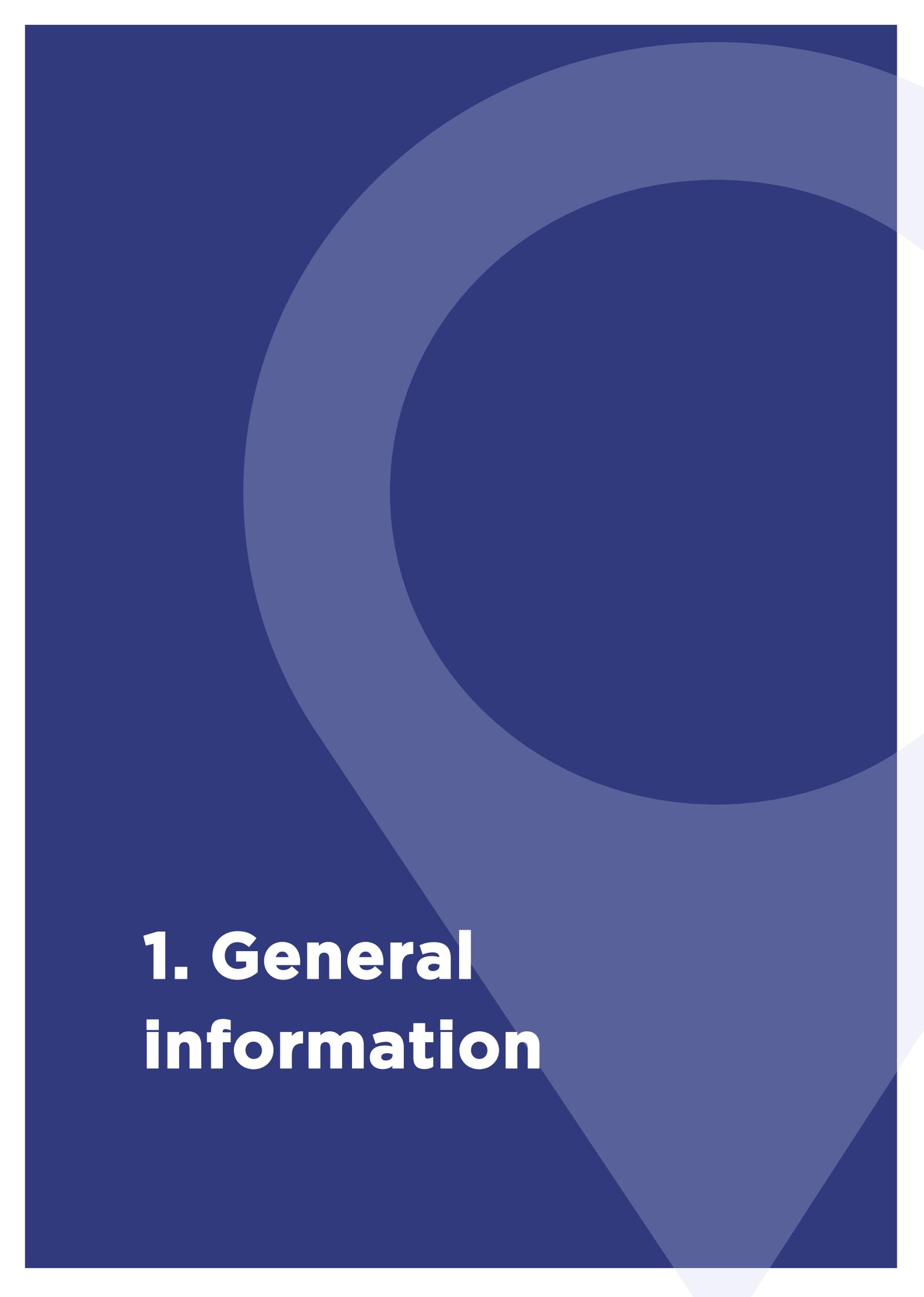
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## GLOSSARY

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<b>ICC</b>	Initial Capital Contribution
<b>AGEFIPH</b>	French Association for the Management of Funds for the Professional Integration of People with Disabilities
<b>ANCT</b>	French National Agency for Territorial Cohesion
<b>ACPR</b>	Autorité de Contrôle Prudentiel et de Résolution (France’s Prudential Supervision and Resolution Authority – the country’s financial supervisory authority)
<b>AFL</b>	Agence France Locale
<b>AFL-ST or ST (“Société Territoriale”) – Territorial Company</b>	Agence France Locale – Société Territoriale, the parent company of Agence France Locale
<b>CEREMA</b>	French public agency under the Ministry for Ecological Transition, acting as a National Centre for Studies and Expertise on Risks, the Environment, Mobility and Urban Planning
<b>CGCT</b>	French General Code for Local Governments “Code général des collectivités territoriales”
<b>Citepa</b>	France’s Interprofessional Technical Centre for Air Pollution Studies
<b>CNFPT</b>	France’s National Centre for Territorial and Local Civil Service
<b>Government(s) Or Local government(s)</b>	Local and regional governments, groupings of such governments and other local public entities
<b>Medium- to long-term credit</b>	Loan granted by AFL to a Member with an initial term of more than 364 days
<b>CSE</b>	French Social and Economic Committee
<b>CSRD</b>	Corporate Sustainability Reporting Directive
<b>EAPB</b>	European Association of Public Banks
<b>EPCI</b>	Établissement public de coopération intercommunale (Municipality grouping)
<b>LPE</b>	Local public entity
<b>TPE</b>	Territorial public entities
<b>ESAT</b>	France’s National Sheltered Workshops
<b>ESG</b>	Environmental, Social, Governance
<b>GHG</b>	Greenhouse gases
<b>Agence France Locale Group or AFL Group</b>	The Group comprising Agence France Locale – Société Territoriale and Agence France Locale
<b>HATVP</b>	France’s High Authority for Transparency in Public Life
<b>HQLA</b>	High quality liquid assets
<b>ICMA</b>	International Capital Market Association
<b>INET</b>	France’s National Institute of Territorial Studies
<b>NACE</b>	Statistical classification of economic activities in the European Community
<b>SDG</b>	Sustainable Development Goal(s)
<b>ILO</b>	International Labour Organization
<b>PCAET</b>	France’s Local, Multi-Year Climate Air Energy Plan
<b>PCAF</b>	Partnership for Carbon Accounting Financials
<b>GDP</b>	Gross Domestic Product

<b>GDP PPP</b>	Gross Domestic Product at Purchasing Power Parity
<b>PLU</b>	French Local Urban Planning
<b>CSR</b>	Corporate Social Responsibility
<b>SCOT</b>	French Territorial Coherence Scheme
<b>SFDR</b>	Sustainable Finance Disclosure Regulation (European Union - EU)
<b>SNBC</b>	French National Low Carbon Strategy
<b>SRADDET</b>	French regional plan for land use, sustainable development and territorial equality
<b>VSME</b>	Voluntary Sustainability Reporting standard non-listed micro, small and medium enterprises (SMEs)

The background is a solid dark blue color. Overlaid on this are several geometric shapes: a large, light blue circle in the upper right; a smaller, medium blue circle nested inside it; and a light blue triangle pointing downwards, positioned in the lower right quadrant. The text is white and bold, located in the lower left area.

# **1. General information**

This ESG Report presents Agence France Locale (AFL) Group's commitments and initiatives at 31 December, 2025 in terms of environmental, social and governance (ESG) responsibility. It is based on the Voluntary Sustainability Reporting standard for non-listed SMEs (VSME), which is designed to help companies structure their sustainability approach. Although AFL is not required to any regulatory requirement to publish a Sustainability Statement, it decided to publish this report in order to enhance transparency and demonstrate its commitment to driving the transition toward a sustainable economy. This report includes specific information related to AFL's banking activities as well as information related to its internal operations, so as to better reflect its challenges, policies and practices, as well as its impacts.

## 1.1. BASIS FOR ESTABLISHMENT

### 1.1.1. General information

<b>Basis for Establishment</b>	Option B (Basic and Comprehensive Modules)
<b>List of omitted information deemed classified or sensitive</b>	None
<b>Basis for reporting</b>	Consolidated
<b>Parent company name</b>	Agence France Locale - Société Territoriale ("AFL-ST")
<b>Subsidiary name</b>	<ul style="list-style-type: none"> <li>- Agence France Locale ("AFL")</li> <li>- Agence France Locale - Foncière</li> </ul>
<b>Legal structure under which the entity operates</b>	<ul style="list-style-type: none"> <li>- AFL-ST: French Public Limited Company with Board of Directors</li> <li>- AFL: <i>Société anonyme</i> (French Public Limited Company) with an Executive and Supervisory Board under French law.</li> <li>- Agence France Locale - Foncière: French Simplified Public Limited Company ("SASU")</li> </ul>
<b>NACE sector classification code<sup>1</sup></b>	<ul style="list-style-type: none"> <li>- AFL-ST: L. 66.19 - Other activities auxiliary to financial services, except insurance and pension funding</li> <li>- AFL: L. 64.92 - Other credit granting</li> <li>- Agence France Locale - Foncière: M. 68.20 - Rental and operating of own or leased real estate</li> </ul>
<b>Balance sheet size (consolidated Group financial statements)</b>	€12.4B
<b>Net banking income (consolidated Group financial statements)</b>	€30.8m
<b>Number of employees (headcount)</b>	51
<b>Entity's country of incorporation</b>	France
<b>Entity's registered address</b>	41, Quai d'Orsay, 75007 Paris, France
<b>Entity's main place of business</b>	112, Rue Garibaldi, 69006 Lyon, France

<sup>1</sup> NACE categorisation: [EUR-Lex - 02006R1893-20250101 - EN - EUR-Lex](#)

## 1.1.2. Owned and leased site locations

Site	Address	Zip code	City	Country	Coordinates
Registered office	112 Rue Garibaldi	69006	Lyon	France	Latitude: 45.769026 Longitude: 4.846297
Shared office	22, Rue Joubert	75009	Paris	France	Latitude: 48.874711 Longitude: 2.3298358
Vertuo Building	11, Rue Desaix	69003	Lyon	France	Latitude: 45.757636 Longitude: 4.856121

## 1.2. PRESENTATION OF THE BUSINESS MODEL AND VALUE CHAIN

Introduced by French Law No. 2013-672 of 26 July, 2013 and formalised on 22 October, 2013, AFL Group is built around a dual structure composed of two complementary entities: Agence France Locale - Société Territoriale (“AFL-ST”) and Agence France Locale (“AFL”).

- ) The AFL-ST, the parent company with financial holding company status, gathers local governments that are shareholders and ensures their interests are represented. It sets the strategic direction, steers the guarantee mechanism and sets the risk appetite framework.
- ) AFL, a subsidiary of a specialised credit institution, is responsible for the day-to-day operational management of financial activities. It raises funds on the capital markets and offers lending solutions for member local governments.
- ) AFL has a subsidiary, known as Agence France Locale - Foncière, which owns a property for office use located in the Lyon - Part Dieu district (Vertuo Building).

AFL Group is a tool for financing capital expenditure of local governments. The latter are the exclusive owners through Société Territoriale, (AFL-ST), the main shareholder of the Group’s expert credit institution with a stake of more than 99.9%.

AFL is a credit institution with technical expertise, supervised by the French Prudential Supervision and Resolution Authority (“ACPR”). Due to the AFL Group’s guarantee scheme, because its activity is restricted to financing investment budgets for local governments on a non-competitive basis and since its end goal is not to maximise profit or market share, AFL has been recognised as a public development credit institution since 2021 by the ACPR (French Prudential Supervision and Resolution Authority).

### 1.2.1. Business model description

AFL’s business model involves raising funds from French and international investors to grant simple bank loans (long-term, cash flow items, bridge loans, loans with use phase) to local governments.

To qualify for credit, local governments must become shareholders of the AFL-ST.

All French local governments – regions, departments, communities, their groups and local public entities – can join AFL, provided they operate on a sound financial footing. This financial position is assessed on the basis of (i) an internal rating system at AFL and (ii) two criteria established by French decree (Decree 2020-556).

- ) To qualify for membership, the community’s financial score must be less than 6 – on a scale of 7 – with 1 being the best score and 7 being the worst.

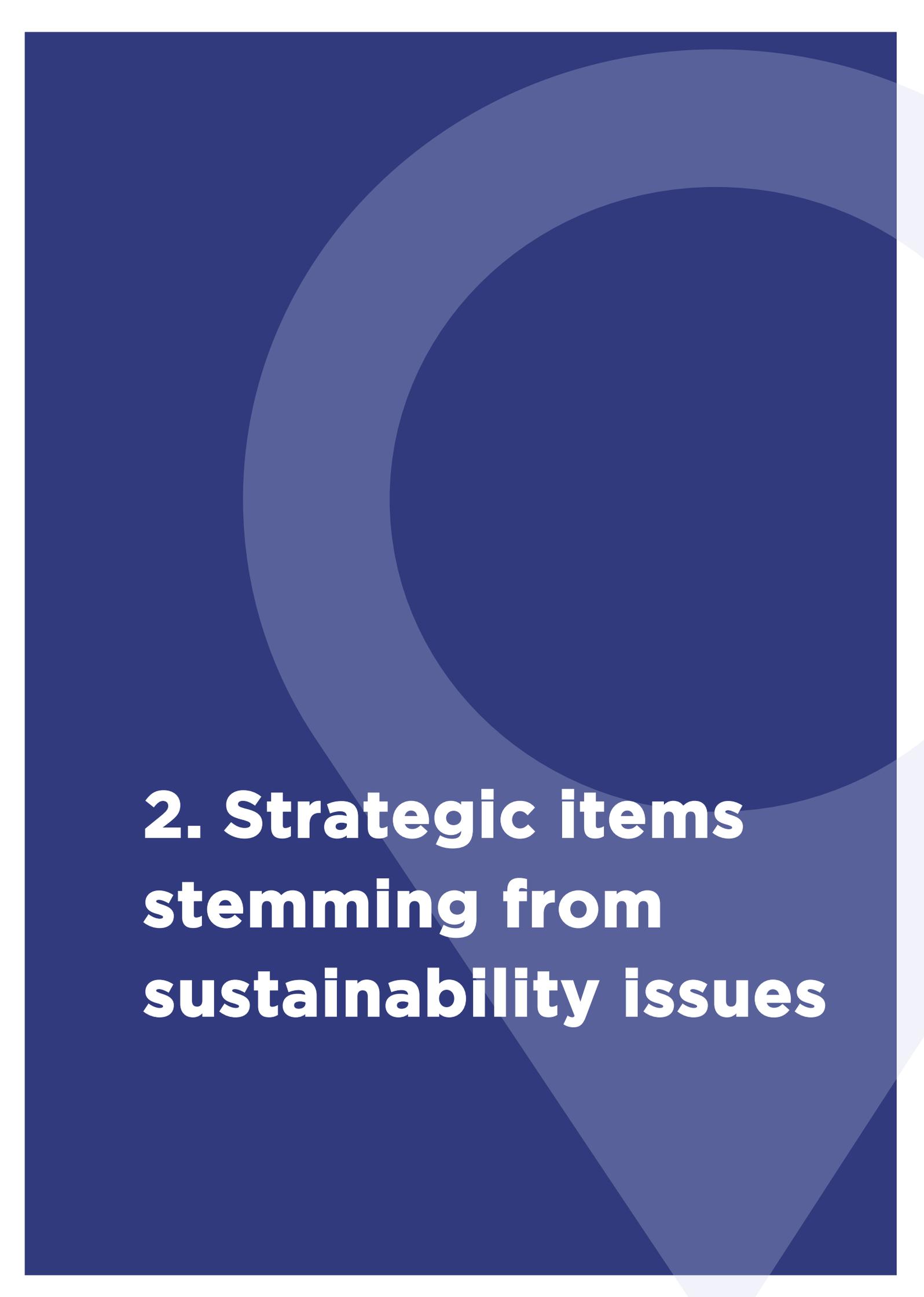
- › The two criteria established by French decree for a local government to become an AFL member are as follows:
  - Its debt reduction capacity calculated over an average of three years must be less than a threshold of 9 years for the regions and single local governments, 10 years for the departments, and 12 years for the municipalities and groups.
  - Alternatively, its current cash flow, also calculated over a three-year average, must be less than 100%.

To become a shareholder, as part of a capital increase for AFL-ST, local governments subscribe shares in AFL-ST and contribute funds in the form of an initial capital contribution (ICC). This is established on the basis of the outstanding debt or the local government's actual operating revenue (Y-2).

### 1.2.2. Value chain description

The AFL value chain leverages a model focused on the financing of French local governments, with interactions between several key stakeholders. It is structured into the following stages:

- › Upstream, investors provide the necessary resources by subscribing to the AFL's bond and money issues. The institution also relies on its bank counterparties for hedging transactions.
- › The AFL manages its liquidity reserve to enable readily available funds. This reserve is mainly composed of high-quality credit assets issued by sovereigns, supranationals, public agencies, development banks and credit institutions.
- › Downstream, local governments – whether customers or shareholders – can benefit from competitive financing, which is tailored to their needs, provided they operate from a solid financial position.
- › At every stage, AFL employees are involved to ensure that operations are fully conducted.
- › Suppliers and service providers (IT, financial services, consulting) offer the support and solutions necessary for fully-fledged operations.
- › All such activities are conducted under strict regulatory supervision, led by the French Prudential Supervision and Resolution Authority (“ACPR”).



## **2. Strategic items stemming from sustainability issues**

AFL and the stakeholders in its value chain, notably local governments, must face and navigate sustainability challenges. These issues, as well as the resulting impacts and risks, directly influence the AFL's activities before guiding its strategic decision-making. They are manifested in two specific areas, namely: banking/financial activities and the day-to-day operations of the institution.

## **2.1. SUSTAINABILITY ISSUES RELATED TO BANKING ACTIVITIES**

### **2.1.1. A banking model exclusively serving French local governments, borrowers and shareholders**

AFL is part of a cooperative-inspired banking model where local governments are both shareholders and borrowers. This model creates a specific sustainability challenge in connection with aligning financial value creation, economic service utility and stakeholders' long-term interests.

Contrary to traditional shareholding, geared towards maximising short-term financial returns, this operation involves:

- ) Shareholder local governments, who are both – beneficiaries of banking offers;
- ) and share capital owners exposed to AFL's performance and financial robustness.

The challenge is to ensure a sustainable balance between financial performance, pricing, quality of service and cautious risk management, which is in the collective and long-term interests of borrower-shareholders.

### **2.1.2. A local public sector committed to addressing economic, social and environmental challenges**

The AFL model is based on the financing of investments by local governments, which are pivotal to driving economic, social and environmental transitions. Harnessing their skills in land use planning, the management of natural areas and their control of large-scale heritage (schools, roads, public buildings), they tap into critical drivers to guide and accelerate the required transformations.

With over 60% of public investment in France, local governments are acting on the front lines to implement mitigation and adaptation policies within their region, while developing public services and facilities for residents and businesses alike. Their role is decisive in translating national commitments into concrete actions across territories.

By supporting local governments, AFL contributes to the achievement of national climate and sustainable development goals:

- ) 75% of the ecological transition drivers are fuelled by local governments (France's National Low-Carbon Strategy ("SNBC" since 2 March, 2020);
- ) The investment needs of local governments promoting climate are estimated at a minimum of €19B, per year, and on average over the period 2024-2030, i.e., an additional effort of around €10 to €11B per year (I4CE, 2024);
- ) Given their skill sets, local governments have the capacity to act on 50% of emissions in their territory (ADEME – French National Agency for Ecological Transition, 2021).

Local governments are local stakeholders, meeting the critical needs of residents. Their skills cover a range of areas related to territories' environmental and social challenges – including housing, education, mobility, waste management, access to water and energy, and biodiversity protection.

Local governments	Areas of expertise
<b>Regions</b>	<ul style="list-style-type: none"> <li>- Economic development</li> <li>- Transport</li> <li>- Higher education</li> </ul>
<b>Departments</b>	<ul style="list-style-type: none"> <li>- Social work</li> <li>- Roads</li> <li>- Secondary/High Schools</li> </ul>
<b>Municipality groupings and unions</b>	<ul style="list-style-type: none"> <li>- Urban planning</li> <li>- Transport</li> <li>- Water and sanitation</li> <li>- Waste management</li> <li>- Power grid connection</li> <li>- Digital</li> <li>- Etc.</li> </ul>
<b>Municipalities</b>	General skill sets at the local level (mainly housing, the environment, regional/local planning, children and early childhood, social support, etc.)
<b>Local public entities</b>	Managing public services on behalf of local governments in fields such as fire prevention, social care, cultural activities, etc.

Local government initiatives align with a legislative framework that defines their skills and requirements in terms of the ecological transition. The French General Code for Local Governments (“CGCT”) forms the legal basis for local expertise, factoring in requirements related to the energy transition and climate-air-energy planning. Parallel to this, the French Environmental Code (“*Code de l’environnement*”) sets the rules relating to air quality, biodiversity and climate risk management – setting framework for the development of the main territorial planning documents, such as the Local, Multi-Year Climate Air Energy Plan (“PCAET”) and the French regional plan for land use, sustainable development and territorial equality (“SRADDET”). Local planning documents, such as PLUs or SCOTs, must also factor in climate targets, to ensure consistently developed local planning policies.

For over a decade, several laws have strengthened the role of local governments in the transition:

- ) **France’s Grenelle I and II Laws (2009-2010):** provided the initial impetus with the integration of greenhouse gas emissions reduction targets and the bond for inter-municipalities with more than 50,000 inhabitants to develop a Local, Multi-Year Climate Air Energy Plan (“PCAET”);
- ) **France’s energy transition law to drive green growth (“LTECV”, 2015):** sets quantified targets (-40% of GHG emissions by 2030, -50% of final energy consumption by 2050) and bonds to develop a PCAET for inter-municipalities with more than 20,000 inhabitants;
- ) **France’s NOTRe Law (2015):** entrusts the regions with energy planning via the SRADDET (regional planning, sustainable development and territorial equality plans);
- ) **France’s Energy and Climate Law (2019):** sets carbon neutrality by 2050, introducing the notion of national “carbon budgets”, which are then reflected in local policy;
- ) **France’s Climate and Resilience Act (2021):** consolidates local skills in urban planning, factoring climate targets into nationwide urban planning documents (PLUs, SCOTs).

Local governments are implementing tangible actions and measures to achieve national targets:

Expertise	Actions / Arrangements	Legal framework
The energy renovation of buildings	Reducing energy consumption in commercial buildings $\geq 1,000 \text{ m}^2$ x 40% in 2030, x 50% in 2040, and x 60% in 2050 vs. 2010	Climate and Resilience Act
Energy efficient public lighting	Policy to prevent, reduce and limit energy consumption	France's Environmental Code
"Green Fleet" strategies for local government vehicles	Minimum proportion of vehicles with a low carbon footprint when acquiring or renewing a local government fleet	France's Mobility Orientation Bill ("LOM")
Sustainable mobility	Development of a Mobility Plan for Mobility-driven local governments with a territorial jurisdiction of more than 100,000 inhabitants	France's Transportation Code
Decarbonising mass catering	Target to achieve a supply rate of 50% eco-responsible, high-quality products, including 20% from organic farming	France's EGalim Law
Low-carbon purchasing policy	Implementation of low-carbon purchasing policies by local governments	
Budget management for the ecological transition	Introduction of an environmental appendix to the administrative or single financial statement, making it possible to measure the impact of local budgets on the ecological transition	1611-3-2 of the French General Code for Local Governments ("CCGT")

### 2.1.3. Sustainable Finance in Financial Markets

Investors are now operating in a new environment, characterised by a European and international desire to direct capital flows towards sustainable activities.

Collectively driven by civil society, international and European organisations, and regulators, the requirements for transparency and non-financial disclosure were stepped up considerably. The European Commission's Action Plan for Financing Sustainable Growth structured this movement into two priority areas: redirecting capital towards sustainable investments and promoting transparency as well as a long-term vision. These guidelines are now reflected in a set of texts, notably the Corporate Sustainability Reporting Directive ("CSRD"), the European Green Taxonomy and the EU SFDR ("European Union Sustainable Finance Disclosure Regulation"), which redefine market practices and impose new reporting requirements on financial players. In this context, the AFL must adapt its model to meet growing investor expectations, by strengthening the quality of its transparency and demonstrating its levy to the sustainable financing of territories.

### 2.1.4. Climate and environmental issues in lending

Environmental factors, such as climate hazards and the ecosystem's downgraded transition to a low-carbon economy, affect AFL's stakeholders, which can have an impact on its risk profile. A materiality assessment of ESG risks identified the activities and exposures most sensitive to these risks, grouped around two main disclosures, namely: credit risk and liquidity risk.

- Credit risk:** Environmental risks can lead to an increase in local governments' capital and operating expenditure, a decrease in their tax and other revenues and an increase in their long-term debt, which can weaken their solvency. The deterioration of public infrastructure exposed to climatic hazards (mainly floods and droughts/shrinkage-swelling of clays) or adaptation costs may lead to budgetary trade-offs and postponed investments. The

acceleration in natural disasters can also cause a loss of appeal within a territory, a loss in population and business activity, reducing taxation and incurring costs from managing poorly sized infrastructure. Environmental requirements (France's Climate and Resilience Act, etc.) are also applying greater pressure on budgets. Longer term, inadequate anticipation of investment needs or persistent dependence on more fragile territorial models can serve to weaken the financial position of local governments.

What's more, AFL's market counterparties may be exposed to environmental risks, particularly due to their fossil fuel dependence, their exposure to extreme weather events as well as underappreciated environmental challenges. Such factors can impact their solvency.

- ) **Liquidity and refinancing risk:** Investors' perceptions of debt issuers are changing in the new environment and may restructure the AFL's refinancing terms.

## 2.2. SUSTAINABILITY ISSUES FROM OPERATIONAL ACTIVITIES

### 2.2.1. Importance of Ethically Compliant Business Conduct

As is the case for all banking institutions, ethics and compliance are critical issues for AFL since they shape informed decisions, risk management, confidence among borrowing shareholders and supervisors – not to mention the business model's long-term future in a highly regulated environment.

### 2.2.2. Spotlighting a lean operating model

AFL's lean operating model with a centralised organisation in Lyon (France), strong process digitalisation and extensive use of outsourcing help to curb its direct environmental footprint. It requires strengthened governance and appropriate control systems, notably when it comes to managing and monitoring external service providers.

### 2.2.3. Introducing a respectful and protective social environment

The AFL has a lean operating model with fifty or so employees, to date. Against this background, social policy and employee development are critical to ensuring fair and high-quality working conditions, upskilling as well as business continuity and growth within a demanding regulatory framework.

## 2.3. ESG STRATEGIC DIRECTION AND GOVERNANCE

### 2.3.1. Our Purpose & Sustainability Strategy

The AFL was founded to meet the ambition among local French governments to have a fully independent, responsible financing tool aligned with their own public service missions, with a traditional focus on sustainably developing territories. Established as early as 2010, the AFL's foundations already included sustainability as a central component, which was reflected in some specific features included since the bank's inception.

In 2020, in response to France's PACTE Law (Action Plan for Business Growth and Transformation), AFL Group formed a purpose which is enshrined in its Articles of Associations: "*Embody responsible*

*finance and empower local authorities to respond to the present and future needs of their inhabitants”, consistent with the will expressed among local governments that are founders and shareholders.*

This purpose is set out in a Manifesto, adopted by member local governments, which reaffirms the institution’s identity and guiding principles: *“By creating the first bank that we wholly own and manage, we, the French local authorities, have taken a strong political step toward decentralization. Our institution, Agence France Locale, is not a financial institution like the others. Created by and for local authorities, it acts in a local context to strengthen our freedom, our ability to develop projects and our responsibility as public actors. Its culture of prudence protects us from the dangers of the complexity and richness of its governance, and from abuses related to conflicts of interest. Its fundamental objective is to offer local authorities access to resources under the best conditions and with complete transparency. The principles of solidarity and equity guide us. Convinced that we will go further together, we wanted an agile institution that would appeal to all authorities, from the largest regions to the smallest towns. We see profit as a means to optimize public spending, not as an end in itself. Through AFL, we support a local environment committed to addressing social, economic and environmental challenges. The AFL strengthens our power to act, to carry out projects locally, for today and tomorrow, for the good of the people who live there. We are proud to have a bank that expresses growth as we see it, ever more responsible and sustainable. We are Agence France Locale.”*

To meet stakeholders’ expectations and regulatory requirements, 2023 saw the AFL develop an ESG Climate Sustainable Finance roadmap, structured on the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). This approach aims to recognise ESG issues in the Company’s strategy and governance, boost transparency among stakeholders as well as detect, measure, manage and monitor the risks related to this new environment.

### 2.3.2. Our values

In December 2020, the AFL-ST Board of Directors decided on three core values – intended to underpin the institution’s operations while guiding its activities. Those values are expertise, solidarity and transparency.

- › **Expertise:** AFL leverages its expertise for local governments, in terms of local public finances and financing the ecological transition.
- › **Solidarity:** Rallying together and cooperating in solidarity within AFL, local governments – whether small or large, rural or urban, metropolitan or overseas – can benefit from funding that is tailored to their needs.
- › **Transparency:** As sole shareholders, local governments are responsible for steering AFL’s strategic priorities. Whether it’s financial data, AFL’s rating, bank operations, local governments enjoy full access to information.

On top of these three values, there is the notion of decentralisation. AFL is a platform for local sovereignty, developed by and for local governments, with the goal of enhancing local governments’ ability to take action.

### 2.3.3. ESG Governance

Within AFL Group, ESG Governance is based on a structured organisation that is part of the Group’s governance.

At the AFL-ST level, the Board of Directors (BoD) sets the ESG strategy, assisted by the Compensation Committee and Corporate Governance on governance and ethics matters, and by the Audit and Risks Committee on matters relating to climate and environmental risks. This strategy is presented every three years at the General Meeting of Shareholders, which brings together all representatives from Member local governments.

As regards the AFL, the Supervisory Board (SB) determines the ESG multi-year strategic guidelines, validates the roadmap, approves the various implementation policies and assesses overall outcomes. It is supported by three Specialist Committees:

- › The Strategy and Responsible Commitments Committee is responsible for defining and implementing the AFL's Climate and Sustainable Finance roadmap;
- › The Appointments, Compensation and Corporate Governance Committee is tasked with overseeing ethics, governance and compensation matters;
- › The Risks Committee is responsible for topics relating to climate and environmental risks.

Internally, the ESG Climate and Sustainable Finance Committee serves to coordinate roadmap operations. On a quarterly basis, this Committee unites Executive Board members and employees from all departments, spearheaded by the Executive Vice President, Commitments, Risks, Climate and Sustainable Finance, who is an Executive Board member.



# **3. Sustainability policies, practices and indicators**

This section outlines the policies and practices aimed at tackling the identified sustainability issues, as well as the indicators that drive monitoring and measure progress. These policies and indicators relate to AFL’s banking activities and its internal operations.

## 3.1. POLICIES, PRACTICES AND INDICATORS RELATED TO BANKING AND FINANCIAL ACTIVITIES

### 3.1.1. Introducing a banking model designed by, and for, local governments

Designed to serve local governments in the long term, the AFL adheres to a cautious risk appetite framework.

AFL does not focus efforts on maximising its share price or market share. The AFL sees profit as a driver for optimising public spending, intended for residents and territories. Value is shared between the AFL and its stakeholders. Its purpose is to: strengthen AFL’s capital, serve borrowers through attractively priced credit, and investors who can take advantage of regular, predictable issuance terms. The payout of earnings is restricted to 5% of distributable profit.

Each shareholder must have a solid financial track record to join AFL Group or be eligible for credit. Collectively, everyone can enjoy the best possible refinancing conditions.

AFL is one of the players financing France’s local public sector. By internalising banking and financial expertise within the public sector, it grants funding access for local governments and encourages other business players to roll out best practices.

### 3.1.2. Supporting local governments in their transitions

AFL’s engagement strategy seeks to support local governments as shareholders in their transitions, factoring in the legal requirements and transformation challenges they must face.

Symbolising its purpose, the AFL’s engagement strategy is designed to assist local governments in their transitions – regardless of their AFL shareholder status.

- › In terms of the climate transition, local governments have many fulfilling requirements.
- › AFL maintains a constant dialogue with territorial network players and distinguished public institutions (French National Agency for Territorial Cohesion (ANCT), French National Agency for Ecological Transition (ADEME), CEREMA (French National Centre for Studies and Expertise on Risks, the Environment, Mobility and Urban Planning), CNFPT (France’s National Centre for Territorial and Local Civil Service), INET (France’s National Institute of Territorial Studies)) to produce work and studies promoting knowledge sharing. Year in, year out, it partners with INET to conduct topical studies on transitions. Moreover, AFL is invited to speak on topics related to environmental and social transitions, in connection with its activities and areas of expertise.
- › Financial score aside, AFL creates a Climate Vulnerability Index for each local government. This is presented during meetings with the ecosystem or dedicated review to spotlight local government exposure to physical and transition climate risks.

	2025
Number of AFL partners	24
Number of presentations on topics related to the environmental and social transitions	39

As part of its efforts represent interests, the AFL is committed and constructively engages in regulatory discussions to promote the best financing conditions for local governments, against the backdrop of transitional challenges. The Group is laser focused on ensuring that local French governments can benefit from a 0% prudential weighting, which applies to French municipalities, departments, regions and municipality groupings (“EPCI”) with their own taxation since 2024.

To date, it is prioritising market work to foster greater clarity among local financial players with respect to financing granted to local governments in an environment characterised by ESG concerns (green appendices, etc.) with a view to boosting its appeal.

By financing all types of local governments nationwide, AFL plays a direct part in driving local transitions. With all this in mind, the institution’s lending activity mirrors its role as a public stakeholder committed to local governments, bolstering their investments and facilitating the implementation of transitional public policies.

	At 31/12/2025
Number of local governments that are AFL shareholders, including:	1,271
French Regions	6
French Departments	20
French Municipalities	992
Local government groups	253

	At 31/12/2025
Share of voting rights:	
French Regions	17.94%
French Departments	16.43%
French Municipalities	23.45%
Local government groups	42.18%

	At 31/12/2025
Amount lent to local governments since 2015	€12B
Amount lent to local governments in 2025	€2.4B

	At 31/12/2025
Share of French local public debt for local governments that are AFL members	29%
Share of French local public investment by local governments that are AFL members	25%

### 3.1.3. Promoting a responsible credit offering

Aligning with the main public budgetary requirements, AFL promotes a responsible credit offering. In financing investment budgets, it has zero involvement in assessing projects for borrowing local governments.

### 3.1.4. Issuing sustainable bonds that fulfil investor expectations

Since 2020, AFL has issued sustainable bonds to refinance investments helping to achieve the United Nations' Sustainable Development Goals (UN SDGs). Earmarked in the budgets of shareholder local governments with 3,500-plus residents, these investments break down into three distinct categories:

- ) Social services: access to education, culture, employment, vital health services and social inclusion;
- ) Energy and ecological transition: building low-carbon public transport, overseeing pollution prevention and control, tapping into renewable energies;
- ) Sustainable infrastructure: sustainable water management, affordable housing, eco-responsible facilities.

These bonds are offered to French and international investors with expertise in sustainable financing or who intend to direct their savings towards sustainable investments.

AFL applies a three-step process, to guarantee that Sustainability Bond funds are exclusively allocated to financing or refinancing eligible expenditure.

- ) Step one: Collect and process budget data relevant for analysis.
- ) Step two: Conduct eligibility review to estimate the share of expenditure that complies with the criteria of the scheme within each local government's provisional budget.
- ) Step three: Attribute expenditure withheld for the bond issue, from the entire eligible portfolio.

This approach enables member local governments across the board to access sustainable financing, above and beyond the largest in size. It also strengthens the AFL's overall structure through further refinancing, to the benefit of all its shareholders.

In accordance with ICMA ("International Capital Market Association") requirements, the scheme was validated by a Second Party Opinion ("SPO" – Vigeo) which expressed "reasonable assurances" on AFL's commitments. Moreover, the allocation of funds for each issue is audited by AFL's Statutory Auditors.

For each issue, the AFL publishes an Impact Report to specify the purpose of each capital-raising initiative. This report presents the breakdown of financing by eligible investment, by local government and by geography, as well as the share allocated to disenfranchised areas. It also highlights the number of affected residents and how each initiative moves the needle on each UN SDG.

All such documentation can be downloaded via the AFL website: [AFL Sustainable Finance | AFL](#).

Capital raised
1 <sup>st</sup> sustainable bond: €500m in July 2020
2 <sup>nd</sup> sustainable bond: €750m (€500m raised in January 2022 and €250m in 2025)
3 <sup>rd</sup> sustainable bond: €500m in October 2024

	Since the scheme launch (2020)
Share of refinancing via sustainable bonds	20%

	2025
ESG Risk Rating Sustainalytics*	13.7 (Low Risk)

\*0 = highest rating.

### 3.1.5. Practising a responsible investment policy

Revised in 2025, AFL’s responsible investment policy is part of a responsible asset management approach since it factors environmental, social and governance (“ESG”) criteria into the financial investment management process. It is supported by three pillars: exclusion of investments running counter to sustainable transitions, vetting of issuers that comply with minimum ESG criteria, and promoting bonds labelled as “sustainable.”

AFL applies the following ESG criteria to its financial investments:

- › Exclusion of issuers – companies or public sector entities – that are directly involved in controversial areas (prohibited and controversial weapons, tobacco, pornography, gambling and alcohol, controversial genetics technologies, animal testing for non-medical purposes).
- › Exclusion of energy producers developing new fossil fuel-based projects.
- › Exclusion of entities operating in tax havens or where a significant part of their business is located.
- › The decision not to invest in the securities of States that are not signatories of the “Paris Agreement” or the main treaties concerning the non-proliferation of nuclear weapons and the Biological Weapons Convention (“BWC”).
- › The decision not to invest in securities issued by authoritarian and undemocratic regimes (restrictions on press freedoms, political and/or religious repression, lack of trade union freedoms, etc.) or corrupt regimes as assessed by Transparency International’s Corruption Perceptions Index (“CPI”).
- › Use of ESG ratings disclosed by specialist institutions to select the best ESG counterparties.

In parallel, the AFL is committed to maintaining a minimum 15% of its investment portfolio in green, social or sustainable bonds, consistent with the principles of ICMA and the European Green Taxonomy. The portfolio’s ESG performance is continuously monitored, with a view to gradually improving and aligning AFL’s responsible finance targets.

AFL securities portfolio	31/12/2025
Share of labelled and similar bonds	37%
Including green bonds	8%
Including social and similar bonds	11%
Including sustainable bonds	18%

AFL securities portfolio	31/12/2025
ESG Risk Rating*	13.21
Country Risk Rating*	12.87

\*0 = highest rating.

### 3.1.6. Recognising environmental and social challenges when lending

Step by step, AFL is accounting for ESG challenges in its rating and lending policy in an effort to recognise local government funding needs, the physical risks linked to climate hazards in addition to transition risks that are likely to affect local governments’ financials.

These risks are mitigated by several factors: anticipation, planning and mitigation measures enforced by local governments and an institutional framework intended to manage local governments.

In 2025, AFL produced a second version of the Climate Vulnerability Index for local governments, so as to individually assess their physical risks. The Group also developed an initial version for an indicator measuring transition risk.

ESG challenges are incorporated into the rating and lending policy at several levels:

- ) Through a socio-economic rating of local governments calculated using social indicators, e.g., unemployment rate, per capita income, etc.;
- ) Through a qualitative analysis developed for specific local governments, factoring in aspects of governance (while reaffirming that local public management is considered robust and stable due to an especially restrictive legal and budgetary framework);
- ) Through a Climate Vulnerability Index to assess a territory’s susceptibility to physical and transition environmental risks.

AFL Credit Portfolio	31/12/2024	31/12/2025
Average climate score (physical)*	2.32	2.36
Average climate score (transition)*	1.43	1.48
Average socio-economic score**	-0.02	-0.01

\*Score from 1 to 5. 1 = best, 5 = worst.

\*\*Score affecting AFL’s financial rating: -0.5 = the most favourable NSE indicator. 0.5 = the least favourable. An indicator of 0 represents an NSE impact that is considered neutral.

### 3.1.7. Measuring and tracking AFL’s carbon footprint

Each year, AFL assesses the carbon footprint of its activities so as to quantify its environmental impact and pinpoint reduction levers.

AFL conducts both operational and local public sector financing activities. As a result, a distinction must be made between two main GHG emissions: emissions from operations and emissions from financing.

- ) Emissions from financing: They correspond to GHG emissions generated by the AFL’s financing and investment activities, including, on the one hand, loans to local governments and, on the other, the institution’s exposure to market counterparties owned as part of its cash flow management.
- ) Emissions from operations: They correspond to GHG emissions produced by AFL’s in-house operations and include emissions under Scope 1, 2 and 3, excluding emissions under category 3.15 – entitled “Investments”.

The carbon footprint of financed emissions is calculated according to the standards of the Partnership for Carbon Accounting Financials (“PCAF”) – an international initiative in the finance sector aimed at establishing a common framework to assess and calculate GHG emissions from lending and investment activities. 2025 saw these standards evolve.

The financed emissions of AFL counterparties are calculated on a per individual entity basis, using methodologies adapted to each asset class. For each portfolio line, financed emissions are calculated by multiplying an asset’s carbon footprint by an attribution factor.

Two approaches are adopted, depending on asset type and access to data:

- ) Reported data: GHG emissions data from financed counterparties is collected.

- › Estimated data: sector- and geography-specific monetary emission factors are used where readily available GHG emissions data is lacking.

GHG emissions are then allocated according to the portfolio's degree of exposure to the financed entity's total value, using an attribution factor.

### Methodology and data source by asset class

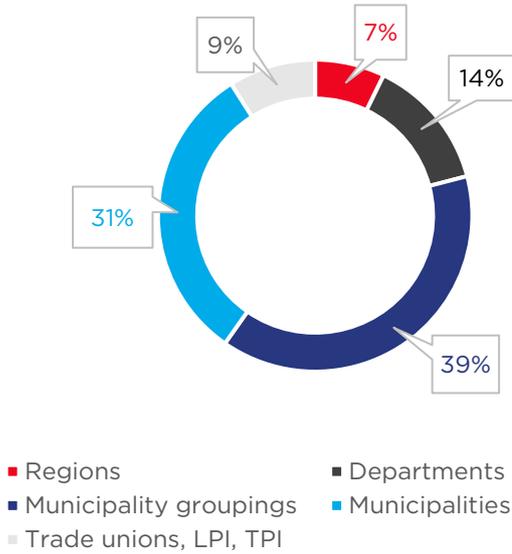
Asset class	Scope	Source of asset GHG emissions data	Attribution factor
Local governments	Loans granted to local governments - whether French regions, departments, municipality groupings ("EPCI") - public establishments with their own taxation, municipalities, etc.	Data from the territorialised GHG inventory, as published by Citepa ("France's Interprofessional Technical Centre for Air Pollution Studies"), which provides a territorial overview of France's national inventory. The effective breakdown is based on the distribution key published in 2021, as applied to 2024 national emissions.	$\frac{\text{Outstanding amount}}{\text{PPP} - \text{adjusted GDP}}$
Other Entities - Local Public Sector	Loans granted to entities responsible for specific public services: trade unions, local public entities ("LPE"), territorial public entities ("TPE")	Calculated from sector-specific monetary emission factors	$\frac{\text{Outstanding amount}}{\text{Debt}}$
Corporate	Securities issued by issuers supranationals, public agencies, development banks and financial institutions	<ul style="list-style-type: none"> <li>› Scope 1, 2 and 3 emissions published by counterparties (Annual and Sustainability Reports, etc.)</li> <li>› Data calculated using geography- and sector-specific monetary emission factors</li> </ul>	$\frac{\text{Outstanding amount}}{\text{Total equity} + \text{Debt}}$
Sovereign	Securities issued by sovereign counterparties	Data published by States that can be accessed through databases	$\frac{\text{Outstanding amount}}{\text{PPP} - \text{adjusted GDP}}$
Sub-sovereign entities	Securities issued by sub-national entities	Data published by sub-national entities that can be accessed through databases	$\frac{\text{Outstanding amount}}{\text{PPP} - \text{adjusted GDP}}$
Not covered under the methodology, excluded from the scope of analysis	Deposits on <i>nostris</i> financial statements, deposits at Banque de France	N/A	At present, there is no benchmark methodology to assess carbon footprint

Owing to readily available data, the measurement was carried out on 31 December, 2024. To date, financed emissions from the AFL's credit portfolio represented 737,461 tonnes of equivalent CO<sub>2</sub> - with 98.6% of portfolio assets undergoing a carbon footprint assessment. Carbon intensity per million euros (/€m) invested was 88 tCO<sub>2</sub> eq.

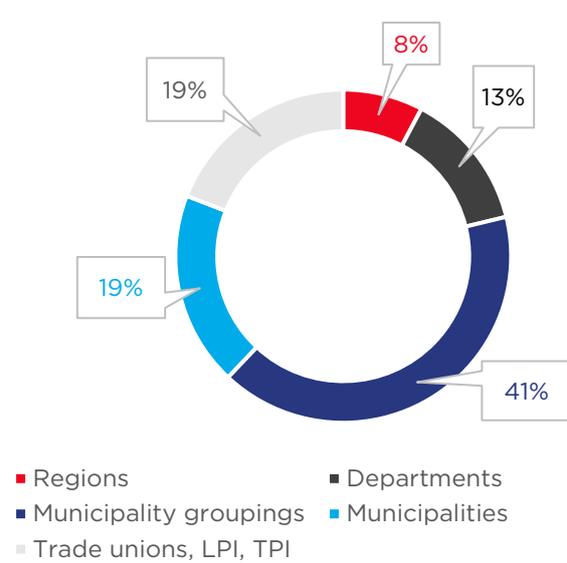
## Financed emissions from loans granted to local governments

2024 Data	Analysed Outstanding Amount (€m)	Coverage	Financed emissions (tonnes of CO <sub>2</sub> eq.)	Economic emission Intensity (tCO <sub>2</sub> eq. per million euros (/€m) Invested)	Data quality Score
French Regions	605	100%	56,927	94	3
French Departments	1,156	100%	99,422	86	3
Municipality groupings ("ECPI")	3,266	96.9%	301,190	92	3
French Municipalities	2,635	99.8%	139,020	53	3
Trade unions, LPI, TPI	755	99.2%	140,902	187	4
<b>Total</b>	<b>8,417</b>	<b>98.6%</b>	<b>737,461</b>	<b>88</b>	<b>3.1</b>

Breakdown of outstandings from the local government loan portfolio



Breakdown of financed emissions from the local government loan portfolio

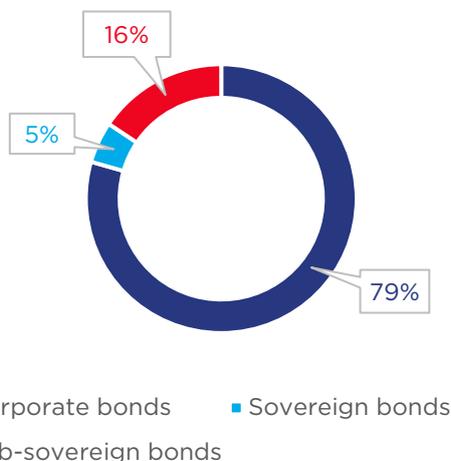


At 31 December, 2024, financed emissions from AFL's securities portfolio totalled 48,299 tonnes of CO<sub>2</sub> eq. – with 88% of portfolio assets undergoing a carbon footprint assessment. Carbon intensity per million euros (/€m) invested was 43 tCO<sub>2</sub>eq.

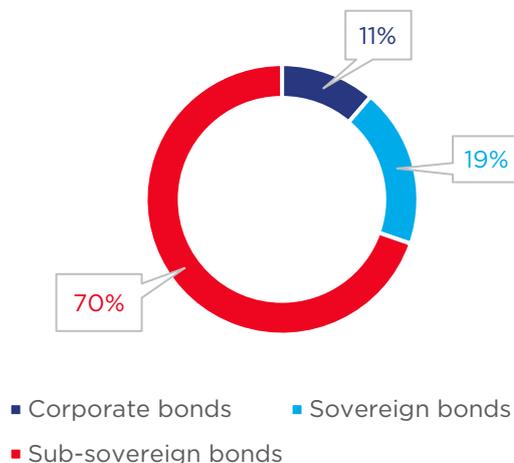
## Financed emissions from securities issued by market counterparties

2024 Data	Analysed Outstanding Amount (€m)	Coverage	Financed emissions (tonnes of CO <sub>2</sub> eq.)	Economic emission Intensity (tCO <sub>2</sub> eq. per million euros (/€m) Invested)	Data quality Score
Corporate bonds	937	91.6%	5,445	6	3.1
Sovereign bonds	64	100%	9,197	144	1
Sub-sovereign bonds	134	66.9%	33,657	251	3
<b>Total</b>	<b>1,135</b>	<b>88%</b>	<b>48,299</b>	<b>43</b>	<b>3</b>

Breakdown of the investment portfolio's assets under management ("AuM")



Breakdown of financed emissions in the investment portfolio



## 3.2. OPERATING POLICIES, PRACTICES AND INDICATORS

### 3.2.1. Ethics-driven and fully compliant business conduct

#### 100% seamless governance

Within the AFL Group, local governments are both borrowers and shareholders. To avoid potential conflicts of interest stemming from such a scenario, AFL Group is structured into two levels:

- ) AFL-ST, a French Public Limited Company in finance, owned directly by shareholder local governments;
- ) It owns more than 99.99% of AFL, an expert credit institution.

As such, there is a significant distinction between AFL, the operating entity conducting banking activities under its authorisation on behalf of local governments (borrowers), and AFL-ST, the Group's parent company owned by local governments (shareholders). These two companies have a highly different purpose:

The main tasks of AFL-ST, the Group's parent company, are as follows:

- ) Representing shareholders;
- ) Managing the guarantee mechanism;

- ) Appointing the members of the credit institution’s Supervisory Board;
- ) Setting major strategic policies and the risk appetite framework; and
- ) Championing the operating model among local governments, jointly with AFL, with a view to increasing the number of shareholder members.

The AFL’s key tasks are the following:

- ) Lending exclusively to shareholder member local governments;
- ) Fund-raising on capital markets; and
- ) Day-to-day operational management of financial activities.

AFL-ST is a French Public Limited Company structured around a Board of Directors composed of local government representatives elected – by Council – by shareholders at a General Meeting. It is headed up by a Chief Executive and Deputy Chief Executive Officer.

AFL is a French Public Limited Company with a Supervisory and Management Board. Members of the Supervisory Board are appointed at the AFL’s General Meeting of Shareholders (composed of two shareholders, AFL-ST which has a 99.9% interest and the Lyon Metropolitan Areas which owns one share) on the advice of the Board of Directors and AFL-ST’s Appointments, Compensation and Corporate Governance Committee. Consistent with the Articles of Associations, most members are independent. Members of the AFL’s Executive Board are appointed by the AFL’s Supervisory Board.

Owing to AFL Group’s two-pronged structure, the greatest seamlessness is observed between decisions concerning a loan to a member local government – decisions that are ultimately decided by AFL’s Executive Board – and shareholder local governments.

What’s more, the lending policy stipulates zero right to credit. This rule helps prevent conflicts of interest potentially due to borrowers having involvement in the capital of the credit institution’s parent company.

For this reason, the AFL’s Articles of Association stipulate that the Supervisory Board must be composed of a majority of independent members. Further, most members of the Supervisory Board must be distinguished for their professional expertise in banking, finance and/or risk management. In so doing, shareholders accept and acknowledge that it is important for banking and financial professionals to take responsibility for overseeing the credit institution’s activities.

2025 data	Number of directors
<b>Board of Directors</b>	15
Regional block	3
Departmental block	2
Group of municipalities	8
Member’s own name: Chairperson and Vice-Chairperson of the Board of Directors	2
<b>Supervisory Board</b>	11
Number of independent members	8

### **Diverse and experienced governance**

With respect to its Management and Leadership Teams, AFL Group strives for gender parity.

The AFL-ST Board of Directors is mainly composed of local government shareholders represented by legal entities, which appoint their permanent representatives. In 2023, for every renewed appointment, the AFL Board of Directors restated the need to achieve greater gender parity.

AFL has voluntary targets on its Supervisory Board to ensure a minimum 40% women’s representation. Coupled with that, the Rules of Procedure of the Supervisory and Executive Boards reiterate a shift towards gender parity.

2025 data	Women	Men
Board of Directors	3	12
Supervisory Board	6	5
Management Board	2	3

## Business Ethics

In all its business activities, AFL Group is committed to upholding the principles of integrity, transparency and accountability. These commitments are reflected in an Ethics Manual and Code of conduct, which define the Group’s rules for good practice and its core values. Such commitments are driven by two convictions:

- ) Commitment to responsible finance must be a daily goal for one and all;
- ) AFL’s success is down to the women and men whose professional skills, efforts, and integrity drive its growth.

Supplemented by in-house policies, these frameworks guide decisions – ensuring that AFL champions responsible finance, in line with its founding mission and purpose. The corporate culture is driven by the promotion of responsible and ethically minded practices, as emphasised by regular awareness and training sessions for all employees.

The AFL also has whistleblower programme for malfunctions, making it possible to report any non-compliant situation. Since January 2025, AFL set up an independent reporting hotline that complies with the regulations in force, guaranteeing fully anonymous and confidential information.

As a banking institution, AFL operates within a stringent regulatory framework while delivering robust systems to ensure compliance. The latter include:

- ) Compliance with the laws and regulations disclosed by national and international authorities;
- ) Financial integrity: anti-money laundering (“AML”) and countering terrorism financing (“CFT”), anti-bribery, conflicts of interest and insider information;
- ) Customer and stakeholder protection: overseeing transparent practices and products, fully compliant customer ethics, confidentiality and data security;
- ) Code of Conduct and Ethics.

Preserving the integrity of markets helps maintain investor confidence and ensure financial stability. The AFL disseminates accurate, precise and truthful information to stakeholders with a focus on financial reporting (AFL’s performance and risks factors) in accordance with the procedures stipulated by the regulations.

Confidential information is protected by professional secrecy, while specific procedures (insider lists, quotas on sensitive data) prevent any market abuse or insider trading.

Local governments, which are shareholders and customers of the AFL, benefit from a system serving to guarantee the primacy of their interests. Customer protection is expressed at all stages of the relationship: pre-contractual information, credit assessment and complaint handling. Every single employee is required to provide clear, fair and comprehensive information and to prevent any conflict of interest.

Furthermore, AFL has committed to ensuring that the processing of personal data is compliant with the European Union’s General Data Protection Regulation (“EU GDPR”) and with the French Data Protection Act.

	2024	2025
Share of employees attesting to having read and complying with the Ethics Manual	91%	100%
Share of employees attesting to having read and complying with the Group’s IT Charter	91%	100%
Employee participation rate in the risk culture questionnaire	75%	89%

	2024	2025
Employee level of trust in the whistleblower system	-	56%
Number of reports received via the whistleblower system	-	0

### Responsible Lobbying

AFL Group entities are registered in the directory of lobbyist with France’s High Authority for Transparency in Public Life (“HATVP”). Each year, AFL’s entities report the identity of individuals responsible for lobbying, actions undertaken on behalf of AFL Group and the resources allocated to such activities. Employees representing interests must conduct their activities towards public officials both with dignity and integrity.

Such initiatives are mainly led by the Chairman of AFL’s Executive Board and the Chief Executive Officer of AFL-ST, aligning with local government expectations.

At the European level, the AFL is a member of the European Association of Public Banks (EAPB), registered in the European Union Transparency Register. In June 2024, the Chairman of the AFL Executive Board was elected to the EAPB Board of Directors, furthering the Group’s participation in Europe-wide discussions on responsible public financing.

The system for reporting lobbying activities to France’s National High Authority for Transparency in Public Life (HATVP) involves a dedicated internal procedure.

	2024	2025
Amount spent by AFL on interest representation activities	Between €75,000 and €100,000	Between €75,000 and €100,000
Amount spent by AFL-ST on interest representation activities	Between €10,000 and €25,000	Between €10,000 and €25,000

### Managing conflicts of interest

In the finance sector, managing conflicts of interest is paramount to guaranteeing transparency, the fair treatment and protection of stakeholders, as well as sustaining trust. AFL’s conflicts of interest policy applies both to employees and members of the Group’s governing bodies.

This policy requires reporting of any relationships of interest – whether pertaining to business, politics, family or personal matters, whether direct or indirect, in the past or present.

Specialised governance, composed of independent members, assesses and handles such scenarios based on appropriate procedures. The latter include displacing the relevant person, overseeing stakeholder transparency, and revoking a business relationship. This system helps preserve trust and integrity in all decision-making.

	2024	2025
Share of employees attesting to having read and complying with the Conflict of Interest Management Policy	91%	100%

### Compensation Policy

AFL employees draw on their public sector expertise and are committed to developing a tool that serves the public interest. The Group's corporate culture is reflected in a desire to build a technically efficient tool – designed for the long term, whose operational capabilities align with local elected officials' ambitions in terms of enabling transparency and high-quality funding for local governments.

With this in mind, AFL introduced a Compensation Policy combining both the requirements of banking regulations and the principles laid down by the elected officials who founded the bank.

AFL's talent hiring policy matches the Group's specific needs, based on fixed compensation that aligns with market standards observed for similar job positions. This is a crucial aspect for building and developing AFL, which is a specialised credit institution that is home to highly qualified people who are renowned in their fields and whose reputation must enable local governments to tap into proven skill sets when it comes to the technicality of their shared financing tool.

Since 2021, AFL set up a deferred profit-sharing scheme for all salaried staff, which was renewed in 2024. In 2022, a programme for allocating eco-responsible company vehicles was introduced for volunteer employees, in line with the Company's CSR Policy. In 2023, AFL updated the terms that apply to the Sustainable Mobility Package (FMD) for all eligible employees, again reflecting its CSR approach.

Variable compensation is a key element in a company. The AFL implements a policy that values efforts made to promote the Company and its long-term interests.

The variable compensation of each employee is capped at 15% of the gross annual fixed salary. This amount is particularly low in the professions that apply to these employee types within the banking sector. This highly limited ceiling is intended to distinguish AFL from its competitors, whether public or private. It forms a strong basis for professional ethics – a key pillar for the Group.

### Anti-Corruption Code of Conduct

The Agence France Locale ("AFL") Management Team sought to actively introduce an Anti-Corruption Code of Conduct effective 1 January 2025, although it is exempt of France's Sapin 2 Law.

Implementing this system presents an opportunity to firm up the AFL Senior Leadership's position on practising a zero-tolerance policy when faced with practices likely to indicate corruption (whether active or passive), not forgetting influence peddling and a total lack of integrity.

This framework is intended to prevent the occurrence of corruption and to identify high-risk practices and situations, thereby protecting the AFL Group's reputation and the trust of its investors.

The Code of Conduct applies to Company employees at large – including interns, temporary workers, seconded staff, etc. It can be enforced against staff and is included within AFL's Rules of Procedure.

	2024	2025
Share of employees attesting to having read and complying with the Anti-Corruption Code of Conduct	-	100%

## AML/CFT Devices

Subject to banking regulations, AFL has set up a mechanism for Anti-Money Laundering (“AML”) and to Counter the Financing of Terrorism (“CFT”), as well as to ensure compliance with international embargoes and sanctions.

At AFL, this issue is covered by a governance process, a policy revised annually by AFL-ST’s Board of Directors and AFL’s Supervisory Board, and detailed procedures designed to:

- ) ensure that customers and business partners are known and properly identified (“Know Your Customer” – “KYC”);
- ) monitor the business relationship;
- ) detect high-risk transactions;
- ) conduct screening based on national and international lists for targeted asset freezes;
- ) report information to regulatory and judicial authorities;
- ) conduct permanent controls and periodic audits of the AML/CFT mechanisms in place;
- ) provide information and deliver training courses to AFL employees.

	2024	2025
Percentage of exposed employees having received AML/CFT training	100%	100%

## Other governance information

### Convictions and fines in connection with the Group’s Anti-Corruption Policy and corrupt practices

The AFL has never been convicted or fined for violating Anti-Corruption Policy or engaging in corrupt practices.

### Revenues from certain sectors and exclusion from EU reference benchmarks

The AFL does not operate in any of the controversial sectors identified by European Union (“EU”) regulations, such as the production or trade of controversial weapons, tobacco cultivation and production, the fossil fuel sector, or the manufacture of pesticides and other agrochemical products. As a credit institution specialising in financing local French governments, AFL exclusively provides financial services. AFL is also not excluded from the EU’s “Paris Agreement” benchmarks. Its business model, which is geared towards financing local public stakeholders, does not include any exploration, extraction, distribution or refining of fossil fuels, nor does it involve carbon-intensive electricity production.

## 3.2.2. Reducing the environmental impact of our operations

AFL is committed to controlling its environmental impact by adopting a lean operating model and by recognising sustainability challenges in its day-to-day practices. This approach is based on four complementary priorities.

### Digitalisation of business processes and control of the digital footprint

In 2024, the AFL defined a new remit for its Head of Information Systems (IS) for the 2025-2030 period so as to continue digitalising business processes, customer relationships and Company-wide activities. This transformation includes the implementation of solutions such as the banking portal, the

electronic signature of credit agreements and electronic voting during General Meetings. At the same time, the AFL has implemented a “Green IT” plan aimed at assessing and controlling the environmental impact of its IT resources. Further, the AFL’s IT infrastructure leverages a “Serverless” model. In other words, IT servers can be moved and pooled to the Cloud, reducing power consumption in computer rooms and adjusting IT resources in real time.

Since 2023, the AFL has implemented a “Green IT” policy, seeking to:

- ) Incorporate best practices in eco-design and accessibility when purchasing external services
- ) Prioritise suppliers offering printing equipment repackaged in accordance with the XEROX Refurbishment Charter

	2024	2025
Percentage of electronically signed credit agreements	17%	21%

	2024	2025
Percentage of AFL maturity on the Green IT framework	61%	72%

Digital Cleanup Day - Reduced storage space	2025
Collaborative tools	202 GB reduction (7.2%), i.e., 180 kg of eq. CO <sub>2</sub>
Messaging	81 GB reduction (2.9%), i.e., 72 kg of eq. CO <sub>2</sub>

### Lowering the environmental footprint of our premises

Acquired in 2024 and inaugurated in 2026, AFL’s future headquarters will benefit from several sustainability labels and certifications (HQE Excellent, BBCA label, Osmoz and WiredScore Silver). Parallel to this, several actions will continue in 2025: replacing multi-screen stations with wide-width single-screen screens that consume less energy, cutting off hot water in the toilets, regulating heating and bolstering the selective sorting system.

AFL assesses the carbon footprint of its activities on an annual basis and is assisted by Carbometrix in calculating the carbon footprint from its operations.

In 2024, AFL’s emissions from operations totalled 605 tonnes of CO<sub>2</sub> equivalent, i.e., 13.2 CO<sub>2</sub> eq. per employee. These emissions are mostly Scope 3, and mainly related to purchased services (60%), IT (18%) and travel (8%).



### Sustainable mobility

AFL incentivises low-carbon travel through its Sustainable Mobility Package and the provision of eco-responsible vehicles. Business travel favours the train and videoconferencing, as air travel is only permitted for train journeys longer than 4 hours. AFL also participates in Company-to-Company challenges scheduled by *La course des héros* to encourage employees to take up running, walking and cycling.

### Responsible purchases

AFL's Purchase Policy factors CSR criteria into supplier and service provider vetting. The AFL opts for products with a low environmental impact, eliminating plastic supplies opting for marketing materials that are Made in France. ESG criteria inform the decisions of suppliers and subcontractors in four areas:

- Economic responsibility: consideration of ESG issues related to Company business activities, vigilance when vetting suppliers (local and international) and subcontractors reflecting AFL's duty of care.
- Social responsibility: focus on working conditions, safety, social dialogue, training and inclusion.
- Environmental responsibility: product life cycle assessment (origin, impact, recycling), environmental risks analysis (*Reach*, waste management, etc.), and business travel policies (video conferencing, carbon footprint, etc.).
- Responsible governance: Management's commitment to tracking ESG performance and recognising CSR challenges internally, particularly thanks to Quality, Health, Safety and Environmental measures.

### Additional environmental information

#### Energy Consumption

Energy consumption is calculated on the basis of the premises' surface area as well as heating and air conditioning systems. In 2024, it came out to 157,631 kWh for the Group's Head Office in Lyon and 5,660 kWh for the shared office in Paris. These estimated figures were included to calculate the carbon footprint.

#### Greenhouse gas (GHG) reduction targets and climate transition

The AFL has not set targets to curb its GHG emissions. Most of the AFL's GHG emissions are generated from its credit portfolio, in connection with financing for local governments. The AFL does not have quantifiable decarbonisation targets for this portfolio. However, it is part of a national drive to cut emissions, promoted through France's National Low-Carbon Strategy ("SNBC").

## Climate risks

With respect to its operations, the risks for AFL are managed by the bank's risks management system. Due to its Lyon-based location, climate risks are low.

## Air, water and soil pollution

AFL is exclusively involved in financial services activities – only generating a marginal amount of pollutants released into the air, water or on land. Given the nature of its activities, the AFL is not required by any legal or regulatory bond to publish specific pollution metrics related to its own operations.

## Biodiversity

AFL does not own any sites within or near a biodiversity-sensitive area.

## Water

The AFL only takes water from the public network and discharges it into the sewage system from its premises in Lyon, France. Subsequently, net consumption is almost zero. Withdrawn water volumes correspond to normal use of the premises (toilets, shower, cleaning, etc.) with no site located in a water-stressed area.

## Resource use, circular economy and waste management

Due to the nature of its activities, AFL only produces household and similar waste. A selective sorting system is in place on the premises, with collection points for main waste types so as to foster recycling practices.

### 3.2.3. Introducing a respectful and protective social environment

From its inception, AFL has defined and rolled out a Human Resources Policy aimed at promoting employee fulfilment and upskilling. This policy is based on several pillars: quality of life at work, social dialogue, professional equality, inclusion and further training.

#### Quality of life at work

All eligible employees benefit from a Teleworking Charter allowing up to 10 days per month of remote work. This particular pillar is complete with a Charter on the Right to Disconnect, helping to maintain a healthy work-life balance.

	2024	2025
Percentage of eligible employees who benefit from teleworking	100%	100%
Absenteeism	0.35%	0.90%

#### Social dialogue

The AFL attaches particular importance to the quality of social dialogue and respect for collective rights, guaranteeing freedom of trade union membership with the option of collective bargaining. In 2024, several Group-wide measures were bolstered; namely, the signing of new profit-sharing and Time Savings Account ("CET") agreements.

In 2025, the first Social and Economic Council (“CSE”) was formed upon the election of CSE members. This body signals a milestone in institutionalising employee representation while heightening employee interests in Company-specific developments.

	2024	2025
Number of Company-wide agreements signed or in force	2	2

### Equal opportunities and diversity

Due to its headcount, in 2025, AFL is not required by the legal bond to calculate and publish a gender equality index. However, under its CSR policy, the institution decided to publish this index on the basis of methodology that applies to companies with 50 to 250 employees.

There are 4 measurement indicators, as below:

- the gender pay gap, with a score out of 40 points;
- the gap in increases between women and men, totalling 35 points;
- the percentage of women employees receiving a post-maternity pay rise, with a score up to 15 points;
- gender parity among the 10 highest paid employees, with a score up to 10 points.

Parallel to this, AFL applies rules to spotlight diversity in its governing bodies while delivering a gender balance across all age groups.

	2024	2025
Gender equality index for equal pay	86/100	91/100
Percentage of women in managerial roles	35%	38%
Ratio of women to men at the management level (Executive Board)	2/3	2/3

These commitments are part of a broader approach to encouraging equal opportunities and combating all forms of discrimination. To this end, AFL signed its Diversity Charter in 2025, restating its ambition to create an inclusive workplace.

### Inclusion and internal mobility

AFL advocates for onboarding of young people through professionalisation contracts, apprenticeships and internships, while advancing careers thanks to in-house promotions wherever possible. The 2024 publication of an Internal Mobility Charter added to this momentum.

	2024	2025
Number of apprenticeship contracts	3	3
Number of interns welcomed	2	0

Internal promotion - hierarchical developments	2024	2025
Women	1	1
Men	1	4

Internal promotion – change in standard categorisation	2024	2025
Women	1	1
Men	1	4

The institution also supports the inclusion of people with disabilities by collaborating with specialist organisations or “ESATs” (France’s National Sheltered Workshops) for various missions (purchase of supplies, communications, paper recycling, etc.).

Years	2023	2024	2025**
Amount paid to “ESAT”	€2,524.02	€7,656.14	-
ESAT amount deducted from AGEFIPH (“French Association for the Management of Funds for the Professional Integration of People with Disabilities”) reporting	€428.44	€1,460.77	-
Total AGEFIPH tax	€5,594	€6,819	-

\*\* Reporting in June 2026

### Training and upskilling

In 2025, employees enjoyed a range of training courses covering technical, managerial and digital skill sets, not to mention topics affecting society (CSR awareness via e-learning modules). In addition, specific awareness sessions were arranged on ethics, anti-money laundering (“AML”), countering the financing of terrorism (“CFT”) on top of compliance with embargoes (“AML/CFT&E”), cyber risks and fraud, institutional social dialogue and the Green IT Plan. Lastly, internal presentations made it possible to heighten team awareness of ESG regulations, carbon footprint assessments, and not forgetting – climate and environmental risk mapping.

Average number of training hours per employee	2024	2025
Women	4 hours	15 hours
Men	6 and a half hours	5 and a half hours

### Other employee information and indicators

**Within AFL-ST:** At 31 December, 2025, AFL-ST had one non-salaried Corporate Officer and no employees.

#### Within AFL:

#### Breakdown of employees by geography

2025	Headquarters (Lyon)	Other
Staff	51	0

#### Breakdown of employees by contract type

Staff	2024	2025
Temporary contract	4	5
Permanent contract	43	46

#### Breakdown of employees by status

Staff	2024	2025
Non-salaried company officer	1	1
Salaried company officer	4	4
Senior Executive who is not a Corporate Officer	1	1
Manager	38	42
Technician	0	0
Apprentice	3	3

### Breakdown of employees by age

Staff	2024	2025
Up to 24 years	3	4
25-29 years	10	10
30-34 years	11	12
35-39 years	3	4
40-44 years	4	5
45-49 years	2	2
50-54 years	6	5
55-59 years	5	3
Over 60	3	6

### Breakdown of employees by gender

Staff	2024	2025
Men	30	30
Women	17	21
Total	47	51

### Number of staff recruited with permanent contracts

	Women	Men
2017-2023	12	15
2024	4	2
2025	3	2
Total	19	19

### Health and safety

	2024	2025
Number of work-related accidents	0	0
Rate of work-related accidents	0	0
Number of fatalities as a result of work-related injuries and work-related ill health	0	0

## Collective bargaining

	2024	2025
Percentage of employees covered by a collective bargaining agreement	100%	100%

All AFL employees are covered by the bank's Nationwide Collective Bargaining Agreement.

## Human Rights Policies and Procedures

The AFL is subject to French Labour Law, which is tied to the fundamental agreements of the International Labour Organization (ILO). This framework notably serves as a guarantee prohibiting child labour, forced labour and human trafficking. It also acts as a platform for zero discrimination at the time of hiring or professional development, as well as for accident prevention through compliance with health and safety regulations.

These strategic principles guide AFL's HR practices - further bolstered by commitments relating to freedom of association, the right to collective bargaining, gender equality and quality of life at work.

## Serious human rights incidents

Not once has AFL observed a documented case of child labour, forced labour, human trafficking, discrimination, or any other human rights violations. No reports were drafted via internal or external complaints mechanisms, and zero audits revealed any instances of non-compliance.

Given the French legal framework and France's international human rights commitments, local governments - which form the single type of counterparty in AFL's loan portfolio - have limited exposure to the risk of non-respect of fundamental rights. As public stakeholders, they must comply with strict requirements on individual freedoms, non-discrimination and equal opportunities, in addition to implementing local policies with a laser focus on social aspects to conduct their public service missions.



# **4. Summary Tables**

## 4.1. SUMMARY TABLES FOR SUSTAINABILITY ISSUES, POLICIES, PRACTICES AND INDICATORS

### Banking and financial activities

Sustainability issues	Policies and Practices	Indicators
A local public sector committed to addressing economic, social and environmental challenges	Supporting local governments in their transitions	Number of local governments that are AFL shareholders
		Amount lent to local governments
		Share of French local public debt for local governments that are AFL members
		Share of French local public investment by local governments that AFL members
		Number of AFL partners
		Number of presentations on topics related to the environmental and social transitions
Sustainable Finance in Financial Markets	Issuing sustainable bonds that fulfil investor expectations	Share of refinancing via sustainable bonds
		AFL ESG Risk Rating Sustainalytics
	Practising a responsible investment policy	Share of labelled bonds and similar in AFL's securities portfolio
		Average ESG ratings of AFL's securities portfolio
Climate and environmental challenges linked to lending	Recognising environmental and social challenges when lending	Average climate rating (physical and transition) for AFL's credit portfolio
		Average socio-economic rating for AFL's credit portfolio
	Measuring and tracking AFL's carbon footprint	Carbon footprint of AFL's credit portfolio

## Operational activities

Sustainability issues	Policies and Practices	Indicators
Importance of Ethically Compliant Business Conduct	Diverse and experienced governance	Gender balance in governance bodies
	Ethics and professional conduct	Share of employees attesting to having read and complying with the Ethics Manual
		Share of employees attesting to having read and complying with the Group's IT Charter
		Employee level of trust in the whistleblower system
		Number of reports received via the whistleblower system
	Responsible Lobbying	Total spent by AFL Group on interest representation activities
	Managing conflicts of interest	Share of employees attesting to having read and complying with the Conflict of Interest Management Policy
Anti-Corruption Code of Conduct	Share of employees attesting to having read and complying with the Anti-Corruption Code of Conduct	
AML/CFT Devices	Percentage of exposed employees having received AML/CFT training	
Spotlighting a lean operating model	Digitalisation of business processes and control of the digital footprint	Percentage of electronically signed credit agreements
		Percentage of AFL maturity on the Green IT framework
		Digital Clean Up Day - Percentage Reduction in Storage Space
	Lowering the environmental footprint of our premises	Carbon footprint from operations
Introducing a respectful and protective social environment	Quality of life at work	Absenteeism
		Percentage of eligible employees benefit from teleworking
	Social dialogue	Number of Company-wide agreements signed or in force
	Equal opportunities and diversity	Gender equality index for equal pay
		Percentage of women in managerial roles
	Inclusion and internal mobility	Ratio of women to men at the management level (Executive Board)
		Number of interns, trainees and apprenticeships
Training and upskilling	Number of internally promoted employees	
	Average number of training hours per employee	



# **5. Appendices**

## Gross Scope 1 and 2 GHG emissions

2024 Data	GHG emissions (tCO) <sub>2</sub> eq.)
Gross Scope 1 GHG emissions	0.1
Gross Scope 2 location-based GHG emissions	7
<b>Total Scope 1 and Scope 2 GHG emissions (location-based)</b>	<b>7.1</b>

## Gross Scope 3 GHG emissions

2024 Data	GHG emissions (tCO) <sub>2</sub> eq.)
1) Purchased Goods and Services	496
2) Capital Goods	49
3) Fuel- and Energy-Related Activities (Not Included in Scope 1 or 2)	2
4) Upstream Transportation and Distribution	0
5) Waste Generated in Operations	0.1
6) Business travel	39
7) Employee Commuting	12
8) Upstream Leased Assets	0
9) Downstream Transportation and Distribution	0
10) Processing of Sold Products	0
11) Use of Sold Products	0
12) End-of-life Treatment of Sold Products	0
13) Downstream Leased Assets	0
14) Franchises	0
15) Investments	785,760
<b>Total Scope 3 GHG emissions - excluding category 3.15</b>	<b>598.1</b>
<b>Total Scope 3 GHG emissions</b>	<b>786,358.1</b>

## Total gross GHG emissions under the GHG Protocol

2024 Data	GHG emissions (tCO) <sub>2</sub> eq.)
Total Scope 1, 2 and 3 emissions (location-based) - excluding 3.15	605.2
<b>Total Scope 1, 2 and 3 emissions (location-based)</b>	<b>786,365.2</b>

## GHG Emissions Intensity

2024 Data	GHG Emissions Intensity (tCO) <sub>2</sub> eq./€m of GNP)
Scope 1 and 2 GHG emissions intensity (location-based)	0.3
Total GHG emission intensity for Scope 1, 2 and 3 (location-based) - excluding 3.15	26.9
<b>Total GHG emission intensity for Scope 1, 2 and 3 (location-based)</b>	<b>34,950</b>