



## BACKGROUND

Tropical Landscape Finance Facility (hereafter "TLFF") is a Government of Indonesia supported initiative launched in 2016 and facilitated by United Nations Environment Programme, World Agroforestry Centre (also known as the International Centre for Research in Agroforestry or "ICRAF"), ADM Capital and BNP Paribas (hereafter "BNPP"). TLFF considers launching its inaugural so-called Sustainability Notes, through a Special Purpose Vehicle named TLFF I (hereafter the "Issuer"), to extend a 15-year loan to PT Royal Lestari Utama (hereafter "RLU"), a Joint Venture between Michelin and PT Satria Cemerlang (Barito Pacific Group). RLU's project (hereafter the "Nominated Project" or the "Project") consists in a large scale natural rubber plantation in Indonesia.

## SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Notes considered to be issued by TLFF through TLFF I, according to Vigeo Eiris' assessment methodology, and on the alignment with the Green Bond Principles and the Social Bond Principles voluntary guidelines (together the "Sustainability Bond Guidelines").

The opinion is based on the review of the two following components:

- **Project governance:** analysis of the level of integration of Governance and Business Ethics factors by RLU, and of RLU and TLFF exposure to stakeholder-related ESG controversies and capacity to mitigate these risks.
- **Issuances:** analysis of the coherence between the Notes and TLFF's Environmental, Social and Governance (hereafter "ESG") commitments, and of the alignment with the Sustainability Bond Guidelines and market practices.

Vigeo Eiris' sources of information are gathered from our rating database, TLFF, RLU, ADM Capital, BNPP, Daemeter, press content providers and stakeholders, complemented by interviews with involved entities, via telecommunications software. Vigeo Eiris has carried out its due diligence assessment from December 18, 2017 to January 18, 2018.

Vigeo Eiris has been able to access most appropriate documents and to interview all solicited people. Vigeo Eiris considers that the provided information allows the delivery of an opinion with a reasonable level of assurance on its completeness, precision and reliability.

Of note, due to the current stage of the Project, the analysis focuses on the natural rubber plantation and production only and does not cover the processing and logistics parts of the natural rubber value chain.

## VIGEO EIRIS' OPINION

**Vigeo Eiris confirms that the Notes considered by TLFF I are "Sustainability Notes" with positive contribution to sustainable development, aligned with the Sustainability Bond Guidelines.**

**Vigeo Eiris reaches a reasonable<sup>3</sup> level of assurance on the Notes' positive contribution to sustainability.**

- **Project governance** (see Part I).
  - ▶ The project Joint Venture, RLU, achieves an overall good performance in the governance and business ethics criteria under review.
  - ▶ No ESG controversy was identified for RLU, TLFF, Michelin; PT Satria Cemerlang and Barito Pacific Group.

<sup>1</sup> This opinion is to be considered as the "Second Party Opinion" described by the International Capital Market Association in the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and associated documentation (see: [www.icmagroup.org](http://www.icmagroup.org)).

<sup>2</sup> The "Sustainability Notes" are to be considered as the potential forthcoming notes, which issuances are subject to market conditions.

<sup>3</sup> Definition of Vigeo Eiris' scales of assessment (as detailed in the "Methodology section" of this document):  
Level of Performance: Advanced, Good, Limited, Weak.  
Level of Assurance: Reasonable, Moderate, Weak.

- **Issuances:** The Sustainability Notes' documentation is coherent with TLFF's main ESG strategic priorities and is considered to be good. Vigeo Eiris has a reasonable level of assurance on TLFF I's capacity to integrate relevant issues in terms of environmental and social (hereafter E&S) responsibility in its project financing (see Part II):

- ▶ The net proceeds of the Sustainability Notes will be used to finance and refinance a Nominated Project which environmental and social objectives are defined, precise and relevant, and aligned with four United Nations Sustainable Development Goals (hereafter "UN SDGs").
- ▶ The processes for evaluation and selection of Eligible Projects are clearly defined, in line with TLFF and its sponsors' policies. The Sustainability Notes evaluation and selection process is considered to be good in terms of governance and transparency, and relies on relevant eligibility criteria.

The integration of environmental and social risks in the evaluation and selection process is good with specific due diligence assessments conducted by external third-parties. Vigeo Eiris has a reasonable assurance that the environmental and social management of the project will be good in the future, since regular assessments carried out by third-party experts and the integration of specific covenants in the Loan Agreement 2017. However, at the time being and due to the early stage of the project, some key measures have been identified but have not been implemented yet.

- ▶ The rules for the management of proceeds are clearly defined by the Issuer and would enable a documented and transparent allocation process.
- ▶ The Issuer is committed to report to investors annually and until the maturity date of the Notes. The Issuer's reporting commitments and process are good, covering the fund allocation and environmental and social benefits from the Nominated Project (outputs and impact). Of note, Daemeter, together with ADM Capital, is currently identifying potential additional impact indicators. Consequently, Vigeo Eiris has an overall reasonable level of assurance on its capacity to report on the Sustainability Notes' use and impacts.

## EXTERNAL REVIEW

TLFF I's Sustainability Notes are supported by external reviews, provided by:

- Consultant review: the hereby Vigeo Eiris' Second Party Opinion, as sustainability consultant, on the sustainability credentials of the Notes, based on pre-issuance commitments and covering the key features of the Notes, in line with the four core components of the Sustainability Bond Guidelines.
- Annual consultant review: supplied by Daemeter, CIRAD and Proforest (together the "Daemeter consortium"), covering the alignment of the Project with the Sustainability Bond Guidelines and with BNPP's Agriculture Policy.

*This opinion is valid as of the date of issuances limited to TLFF I's Sustainability Notes issued under the Offering Circular that has been made accessible to Vigeo Eiris.*

Paris, January 18, 2018



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## Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has never executed any audit mission nor consultancy activity for TLFF I nor TLFF until so far and no established relationship (financial or other) exists between Vigeo Eiris and TLFF I nor TLFF.

This opinion aims to explain to investors why the Notes are considered as sustainable and responsible, based on the information which has been made available and analysed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the project financed by the Notes. TLFF and TLFF I are fully responsible for attesting the compliance with their commitments defined in their policies, for their implementation and for their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Notes, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of TLFF, RLU, Michelin or PT Satria Cemerlang or their financial obligations.

Restriction on distribution and use of this opinion: the opinion is provided by Vigeo Eiris to the Issuer, Sponsors, Borrower and Lender and can only be used by them. The distribution and publication is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

**DETAILED RESULTS**

**Part I. PROJECT GOVERNANCE**

Level of integration of the Governance and Business Ethics factors by RLU

Vigeo Eiris considers that RLU’s level of integration of Governance and Business Ethics factors is overall good, the three criteria under review being “governing bodies”, “audit and internal controls” and “business ethics”.

Comments	Level of assessment
<p>RLU has two governing bodies: the Board of Commissioners gives advice and recommendations to, and supervises the Board of Directors, while the latter is responsible for the management of the company’s business. The Boards’ diversity appears to be good, with representatives from Barito Pacific Group and Michelin and at least one of the Directors with demonstrated expertise on Corporate Social Responsibility (hereafter “CSR”) issues. The regularity of governing bodies’ meetings is good – quarterly meetings are held. Room for improvement includes the nomination of independent Commissioners.</p> <p>Some of the relevant CSR issues are discussed at Board level, in particular through the CSR Advisory Board. Indeed, among the two committees advising the Boards (the Technical Advisory Board and the CSR Advisory Board), the CSR Advisory Board oversees the environmental and social governance of the company and provides strategic planning to the Board of Directors on some CSR issues. The CSR Advisory Board is composed of relevant permanent members with demonstrated CSR expertise, including representatives from Michelin and Barito Pacific Group, as well as external experts from WWF and the civil society and independent observers. Of note, the CSR Advisory Board regularly meets – quarterly – and conducts a yearly site visit.</p>	Advanced
<p>Regarding audit and internal controls, ADM Capital, as the Facility Manager, supervises the project and is in charge of making sure that RLU respects the Loan Agreement 2017, including the environmental and social covenants that can be a reason of default.</p> <p>Several Technical Assistance Agreements have been signed between Michelin and RLU in which Michelin is committed to providing assistance to RLU regarding its strategy and decisions, in particular by reviewing the business plans of each site, reviewing the quality of forecasts and respecting best practices in terms of corporate responsibilities.</p> <p>RLU mandates an independent statutory auditor to express an opinion on its Consolidated Financial Statements.</p>	Good
<p>In terms of business ethics, RLU has issued an Anti-Bribery and Anti-Corruption Code of Conduct, distributed to all its employees, that addresses bribery, corruption, gifts and hospitality, sponsorship and political and/or charitable contributions. This Code applies throughout the RLU Group and covers its partners. The Board of Directors and its Chairman are responsible to ensure the implementation of the Code and their approval is required for a number of transactions.</p> <p>Employees are encouraged to raise concern if they witness any breach of the Code, but there is no evidence that this internal reporting system is confidential.</p> <p>In addition, several loan covenants are related to corruption prevention, money laundering, and additional business ethics matters. A failure to respect these covenants can be a reason for default. ADM Capital, as the Facility Manager, is responsible for monitoring the respect of the Loan Agreement 2017.</p>	Limited
<p>Employees are encouraged to raise concern if they witness any breach of the Code, but there is no evidence that this internal reporting system is confidential.</p> <p>In addition, several loan covenants are related to corruption prevention, money laundering, and additional business ethics matters. A failure to respect these covenants can be a reason for default. ADM Capital, as the Facility Manager, is responsible for monitoring the respect of the Loan Agreement 2017.</p>	Weak

Stakeholder-related ESG controversies

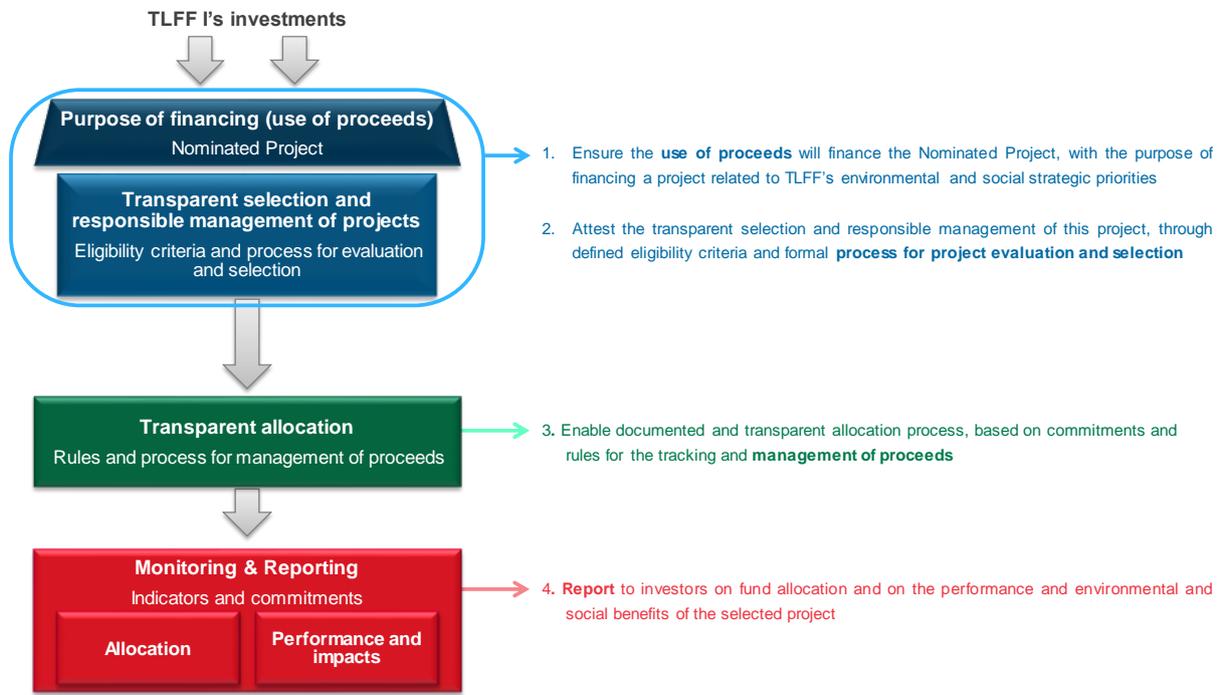
A controversy search has been conducted for the Project’s sponsors, borrower and lender:

- RLU (the Borrower and Joint Venture);
- TLFF (the Lender);
- Michelin (the French Sponsor);
- PT Satria Cemerlang and Barito Pacific Group (the Indonesian Sponsor).

No ESG controversy was identified for any of these entities for the last 48 months.

## Part II. ISSUANCES

The Offering Circular established for the Sustainability Notes makes reference to the four core Green Bond Principles. In line with the Sustainability Bond Guidelines, this document will be made publicly accessible at the Singapore Exchange site where the Notes will be listed.



### Coherence of the Notes

**TLFF I's Sustainability Notes are consistent with TLFF's main ESG strategic priorities, and contribute to the achievement of its commitments and objectives.**

**Vigeo Eiris has a reasonable level of assurance on TLFF I's capacity to integrate relevant issues in terms of environmental and social responsibility in its project financing.**

TLFF has developed the TLFF ESG Policy and Standards which define eight core objectives: forest retention, improved rural livelihoods, peatland restoration and rehabilitation, sustainable supply chains, clean energy, reduced emissions, biodiversity protection and pollution reduction, on which TLFF is committed to report. TLFF ESG Policy and Standards also refer to the IFC Performance Standards and BNPP's sector policies (including its Agriculture Sector Policy).

The Project financed through these Sustainability Notes consists in the responsible management of a rubber tree plantation, the conservation of biodiversity area and provisions to improve the livelihood of local populations in rural regions of Indonesia. Therefore, the Project contributes to several of TLFF's core objectives, in particular forest retention, improves rural livelihoods, and biodiversity protection. In addition, in line with TLFF ESG Policy and Standards, an external environmental and social due diligence assessment has been carried out for the project, an Environmental and Social Development Plan for the assessment and mitigation of environmental and social risks has been developed (the "Environmental and Social Action Plan") and an environmental and social management system is under development.

Finally, the respect of the TLFF ESG Policy and Standards being a selection criterion, all projects financed by the facility shall respect these standards.

Use of proceeds

**Vigeo Eiris estimates that the definition of the Nominated Project is clear. The social and environmental objectives are defined, precise and relevant, and aligned with the Sustainability Bond Guidelines.**

**Vigeo Eiris considers that the Project’s contribution to sustainable development is positive due to the expected environmental and social benefits on biodiversity protection and improvement of community livelihood.**

**Vigeo Eiris considers that the Nominated Project aligns with four UN SDGs, namely: 8: Decent work and economic growth; 12: Responsible consumption and production; 15: Life on land; and 17: Partnerships for the Goals.**

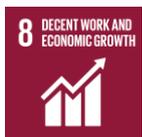
The Sustainability Notes’ use of proceeds is appropriately described in the documentation, in particular in the Offering Circular (“Description of the Project” section).

- The net proceeds of the Sustainability Notes will be used to extend a 15-year loan (back to back) to RLU, which project consists in large scale natural rubber plantation in Indonesia to produce and sell natural rubber products.
- The Nominated Project sites, extending over 3 concessions with a total area of circa 88,000 hectares, are located in Jambi and East Kalimantan provinces, and are currently under development.
- The Nominated Project aims to create natural habitat protection zones, including the creation of a critical buffer alongside the Bukit Tigapuluh National Park jointly with the Park authorities. Circa 45,000 hectares will be set aside for community livelihoods, land restoration and conservation corridors for the many iconic species in the adjacent national parks.
- RLU is committed to respect the rights of local people and workers and to develop local communities.
- RLU has initiated a partnership with WWF with which it works on several issues including setting aside conservation areas, High Conservation Value and High Carbon Stock lands.

The social and environmental objectives are defined, relevant and precise.

- The Project is in line with 4 of the 8 core objectives defined in TLFF’s ESG Policy and Standards, namely: forest retention, improved rural livelihoods, reduced emissions, and biodiversity protection.
- In addition, the Project meets a set of eligibility criteria defined by the Issuer and based on the TLFF ESG Principles.

In addition, Vigeo Eiris considers that the Nominated Project aligns with the following UN SDGs:



*Contribution to achieving the UN SDG 8: Decent work and economic growth*

The UN SDG 8 consists in promoting inclusive and sustainable economic growth, employment and decent work for all, with the following targets by 2030: to improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, and to achieve full and productive employment and decent work for all women and men. By using the Sustainability Notes proceeds to finance the Nominated Project, TLFF I is contributing to the UN SDG 8, with regards to the above-mentioned targets.



*Contribution to achieving the UN SDG 12: Responsible consumption and production*

The UN SDG 12 consists in ensuring sustainable consumption and production patterns, with the following targets: to achieve the sustainable management and efficient use of natural resources by 2030 ; to encourage companies to adopt sustainable practices ; and to support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production.

By using the Sustainability Notes proceeds to finance the Nominated Project, TLFF I is contributing to the UN SDG 12, with regards to the above-mentioned targets.



*Contribution to achieving the UN SDG 15: Life on land*

The UN SDG 15 consists in sustainably managing forests, combating desertification, halting and reversing land degradation, halting biodiversity loss, with the following targets: by 2020 to promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally ; and to take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

By using the Sustainability Notes proceeds to finance the Nominated Project, TLFF I is contributing to the UN SDG 15, with regards to the above-mentioned targets.



*Contribution to achieving the UN SDG 17: Partnerships for the goals*

The UN SDG 17 consists in strengthening the means of implementation and revitalizing the global partnership for sustainable development, with a target to enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals, in particular in developing countries.

By using the Sustainability Notes proceeds to finance the Nominated Project, TLFF I is contributing to the UN SDG 17, with regards to the above-mentioned target.

Process for project evaluation and selection

**Vigeo Eiris considers that the evaluation and selection process of Eligible Projects is clearly defined. The Sustainability Notes evaluation and selection process is considered to be good in terms of governance and transparency, and relies on relevant eligibility criteria. As a result, the process is considered aligned with the Sustainability Bond Guidelines.**

**The integration of environmental and social risks in the evaluation and selection process is good with specific due diligence assessments conducted by external third-parties. Vigeo Eiris has a reasonable assurance that the environmental and social management of the project will be good in the future, since regular assessments carried out by third-party experts and the integration of specific covenants in the Loan Agreement 2017. However, at the time being and due to the early stage of the project, some key measures have been identified but have not been implemented yet.**

The process for evaluation and selection of Eligible Projects is clearly defined and formalized in the project documentation.

TLFF's evaluation and selection process is reasonably structured and relies on relevant internal and external expertise:

- First the Facility Manager (ADM Capital) makes a pre-selection of projects with commercial validity and which respect TLFF's ESG Policy and Standards. Specialized staffs are dedicated to projects' environmental and social assessment.
- All TLFF's sponsors are involved in the process: TLFF's Steering Committee – which includes representatives from UNEP and ICRAF – meets regularly to discuss potential projects. The projects are also discussed by the BNPP structuring advisor team and BNPP conducts financial due diligence as part of the evaluation exercise and know your customer diligence with the borrowers.
- The guarantors involved can also conduct additional due diligence. In this particular case, USAID has produced an Initial Environmental Examination.
- Third-party consultants (consortium of PT. Daemeter Consulting, French Agricultural Research Centre for International Development and Proforest SE Asia) have been hired to conduct an Environmental and Social Due-Diligence Assessment of RLU and to prepare the ESG Annual Report in respect of RLU's compliance with TLFF ESG Policy and Standards and the Environmental and Social Action Plan.

The process relies on the following relevant eligibility criteria:

- Evaluation criteria: environmental and social due diligence assessments have been carried out by relevant independent experts, including site visits as part of the process.
- Selection criteria:
  - In line with its ESG Policy and Standards, TLFF aims to finance two types of projects: sustainable land use – including in agriculture and restoration projects – and renewable energy projects. The Nominated Project fall into the first type of projects.
  - Each project financed by TLFF must meet one or several of its eight core objectives.
  - TLFF refers to the IFC Performance Standards with regards to the ESG management of financed projects and excludes IFC's Category A transactions.
  - When relevant and applicable, TLFF states applying BNPP's sector policy statements related to palm oil, wood pulp and agriculture.
- Exclusion criteria:
  - TLFF has defined an exclusion list, which notably excludes investment in entities substantially involved in the production or trade of wood and other forestry product other than from sustainably managed forests, according to the FAO definition. TLFF commits not to participate or invest in an investment that would breach the UN Declaration of Human Rights or ILO core conventions.
  - Additional exclusions are defined with regards to micro-finance activities financing.

Vigeo Eiris has a reasonable assurance that the environmental and social management of the Project will be good in the future, since a regular environmental and social follow-up is carried out by third-party experts and environmental and social covenants are integrated in the Loan Agreement 2017.

- RLU's environmental and social management is structured by several overarching policies and standards, including Michelin's Sustainable Natural Rubber Policy and Barito Pacific Group's Responsible Plantation and Forest Policy.
- Third-party organizations – the Daemeter consortium – have conducted an environmental and social due diligence assessment, are in charge of designing and annually auditing the Environmental and Social Action Plan, and of delivering an annual ESG report for the project. Vigeo Eiris recommends implementing the key actions identified by the Daemeter consortium.
- In addition, the Loan Agreement 2017 contains a number of environmental and social covenants. The non respect of these covenants can lead to a default on the loan.
- However, at the time being and due to the early stage of the project, the measures implemented to ensure a responsible management of the Project are deemed limited. Some key elements have been identified and are reportedly under development, including an Environmental and Social Management System (ESMS), a grievance mechanism, an integrated forestry management plan, a community partnership program, and a stakeholder engagement strategy. Of note, the Daemeter consortium has found evidence that positive progress has been achieved since 2015, in particular regarding “labour and working conditions” and “the establishment of strategic collaborations for environmental restoration and management”.

#### Management of proceeds

**Vigeo Eiris considers that TLFF I's rules for management of proceeds are clearly defined and would enable a documented and formalized transparent allocation process, aligned with the Sustainability Bond Guidelines.**

The rules for the management of proceeds should allow an appropriate tracking of the proceeds:

- 67% of the proceeds will be deposited into an escrow account. Each drawing request made on this account must correspond with the purpose stated in the Project's Business Plan which has been validated by the Facility Manager. RLU must make a written request which must be countersigned by TLFF I or the Facility Manager (ADM Capital). Part of this amount will be used to pay interests on the loan or deposited into Reserve Accounts. The funds deposited on these accounts cannot be used for any other purpose.
- 33% of the proceeds will be used to repay an existing BNI loan. Proceeds from this security appear to have been used mainly for plantation and “upkeep” expenses.

The total amount of the proceeds should be allocated by the end of 2018, and the unallocated proceeds will be deposited in cash.

The traceability of drawdowns is ensured by construction and tracked by the Facility Agent (BNPP).

The verification of the tracking and allocation of funds will be partly ensured by ADM Capital, which countersignature is required for every drawing request made by RLU.

#### Monitoring & Reporting

**The process for data collection, consolidation and reporting has been clearly defined and formalized and relies on relevant external expertise.**

**The reporting commitments of the Issuer align with the Sustainability Bond Guidelines. TLFF, with the help of the Daemeter consortium, has defined some environmental and social output and impact indicators, that will be disclosed annually to investors until the maturity date of the Notes. Of note, Daemeter, together with ADM Capital, is currently identifying potential additional impact indicators. Vigeo Eiris thus considers that TLFF I's overall reporting commitments are good, leading to a reasonable level of assurance on its capacity to regularly report on the Sustainability Notes environmental and social benefits.**

The process for use of proceeds and ESG monitoring, data collection, consolidation and reporting is clearly defined and formalized and is based on relevant external expertise:

- Regarding environmental and social indicators, Daemeter will be in charge of defining indicators and methodologies, collecting the data and issuing an annual ESG report on the Project.
- ADM Capital, as the Facility Manager, is in charge of monitoring the project's compliance with TLFF ESG Policy and Standards and of reviewing annual ESG reports prepared by Daemeter.

TLFF I commits to communicate indicators related to the use of proceeds to investors at the time of the issuance. TLFF has identified relevant reporting indicators consisting in:

- Project description
- Detail of the amounts (USD) invested by destination and share financed by the Notes' proceeds (%).

Some environmental and social output and impact indicators have been defined by the Issuer. TLFF I commits to make them accessible at least to investors annually and until the maturity date of the Notes, in line with the Sustainability Bond Guidelines.

- The Issuer is planning to disclose the Project's carbon footprint, as well as qualitative and quantitative indicators on biodiversity benefits, forest retention, improved livelihoods (IFC performance standards), pollution reduction and supply chain management. Daemeter, together with ADM Capital, is currently identifying additional impact indicators, while engaging with diverse stakeholders, in order to create a monitoring and reporting system that fully captures the complex nature of this project.
- In addition, TLFF I commits to report on progress toward UN SDGs 8, 12, 15 and 17.
- The Issuer may also disclose additional indicators related to the environmental and social management of the project.
- Daemeter is committed to disclose clear definitions and methodologies for each impact indicator in the annual ESG reports.

Core objectives	Output and impact indicators
Forest Retention	- Hectares of actively managed HCV/HCS forest
Improved rural livelihoods	- Number of jobs created under the community partnership program - Number of smallholder rubber farmers engaged as part of the community partnership program (part time and full time) - Number of smallholder households - Number of jobs created outside rubber under the community partnership program - Number of farmers receiving training - Number of farmers selling into the RLU supply chain - Salary range
Reduced emissions	- Number of trees planted - Number of fires registered - Number of hectares burnt (if any) - Carbon footprint (in tCO <sub>2</sub> e) - Greenhouse gas emissions absorbed by protected forest, planted trees (in tCO <sub>2</sub> e)
Biodiversity protection	- Number of conservation programmes implemented - Number of species protected in the concessions - Hectares of wildlife conservation areas protected - Hectares of conservation habitats protected within the concessions - Number of encroaches removed from protected areas

## METHODOLOGY

Vigeo Eiris' methodology to define and to assess corporates' ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the forest assessment framework, projects specificities and emerging issues.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of TLFF and the different partners involved in the project, related to the Sustainability Notes evaluation and interviewed members from ADM Capital, BNPP, RLU and Daemeter.

Our research and rating procedures are subject to internal quality control at three levels (analysts, heads of cluster sectors, and internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

## Part I. PROJECT GOVERNANCE

*NB: RLU's performance, i.e., commitments and processes of RLU, related to governance issues has not been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. This assessment of RLU's governance performance has been conducted by Vigeo Eiris Enterprise based on information provided by TLFF, BNPP and RLU, public information and stakeholders' views and opinion collected from public documentation.*

*Vigeo Eiris has neither interviewed stakeholders out of the RLU's employees, nor performed an audit nor other test to check the accuracy of the information provided by RLU. The correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of TLFF, BNPP and RLU.*

### Level of integration of the Governance and Business Ethics factors by the project Joint Venture

RLU has been evaluated by Vigeo Eiris in January 2018 on its Governance and Business ethics performance, based on 3 relevant governance drivers. RLU's performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
- Implementation: coherence of the implementation (process, means, control/reporting).
- Scale for assessment of Project governance: Advanced, Good, Limited, Weak.

### Stakeholder-related ESG controversies

A controversy is a piece of information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the company, the highest its severity. Severity assigned at corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non Communicative).
- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

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

## Part II. ISSUANCES

*The Sustainability Notes' documentation has been evaluated by Vigeo Eiris according to the Sustainability Bond Guidelines and our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.*

### Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance the Nominated Project and are traceable within the issuing organisation. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Sustainability Notes related Nominated Project has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of the Nominated Project. The contribution of the Nominated Project to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

### Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements integrated in the Sustainability Notes' documentation, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

### Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

### Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Nominated Project financed by the Sustainability Notes' proceeds, collected at project level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

- Scale of assessment for processes and commitments: Weak, Limited, Good, Advanced.
- Scale of level of assurance on Issuer's capacity: Reasonable, Moderate, Weak.

## VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



vigeo eiris  
Rating

vigeo eiris  
Enterprise

Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)