

City of Paris Sustainability Bond Framework

October 30th, 2017

1. Background

The City of Paris is committed to the wellbeing of its population, sustainable development, and supporting the French economy. As part of this commitment, the City of Paris has elected to develop a Sustainability Bond Framework in accordance with the Green and Social Bond Principles 2017¹, for the future issuance of Climate and/or Sustainability Bonds.

As per the French constitution, the City of Paris maintains financial and administrative autonomy to fund and approve local development projects from its local budget.

The scope of the City's responsibilities cover social services and healthcare; urban planning; primary and secondary schools; culture; environment; economic development; and water management, waste collection and recycling².

To support its broad range of actions, City of Paris has decided to expand its initial Framework and set-up a Sustainability Bond Framework in order to have a flexible platform from which to issue Climate, Social or Sustainability Bonds going forwards:

- A Climate Bond could be issued if the Bond proceeds are aimed to be allocated to eligible projects in the renewable energy, energy efficiency, climate change adaptation, or clean transportation categories.
- A Social Bond could be issued if proceeds aimed to be allocated to eligible projects under the Social categories as defined in the following section.
- A Sustainability Bond could be issued if proceeds are aimed to be allocated to a mix of Climate eligible projects and Social eligible projects as defined in this Framework.

For each Climate, Social or Sustainability Bond issued, the City of Paris asserts that it will adopt (i) Use of Proceeds (ii) Project Evaluation and Selection (iii) Management of Proceeds and (iv) Reporting, as set out in this Framework.

2. Rationale

The City of Paris has actively integrated sustainability into all of its development plans. The City has a strong Sustainability Policy and has published reports on progress in sustainable development annually since 2011.³

¹ <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds>

² <https://api-site.paris.fr/images/75091>

³ https://www.paris.fr/municipalite/action-municipale/paris-pour-le-climat-2148#rapports-developpement-durable-sustainable-development-reports_11

In October 2007 and December 2012, the Council of Paris unanimously approved the Paris Climate and Energy Action Plan², aiming to decrease the overall emissions in Paris by 75% in 2050 (compared to 2004), which exceeds European objectives.

In order to reach this goal, ambitious intermediate objectives which extend well beyond the European and national obligations stemming from the “Grenelle de l’Environnement”, have been set:

- Reduce greenhouse gas emissions by 25 % by 2020 (compared with 2004);
- Reduce energy consumption by 25 % by 2020 (compared with 2004);
- Have 25 % renewable and reusable energy at its disposal in its energy consumption in 2020.
- Anticipate and adapt the territory to climate change and dwindling resources.

In 2015, as part of this commitment, the City of Paris developed a Climate Bond concept, with proceeds allocated towards projects under the City’s Climate and Energy plan. A EUR 300m transaction was completed in November 2015.

The City of Paris has now elected to broaden the Climate Bond concept in order to widen the scope of funding that supports the City’s global sustainability agenda by integrating social actions and projects.

The capital has set itself ambitious programs in order to demonstrate its inclusive role as a sustainable city:

- Access to housing: to give all Parisians access to housing, City of Paris has committed to providing at least 7,000 additional social housing units every year until 2020.
- Financial assistance: for instance to provide fragile families in paying energy bills.
- Fight against exclusion: “The Parisian Pact against large-scale exclusion⁴” coordinates aid for the homeless. Its goal is to prevent the life changes that lead to homelessness, and to help those who are homeless to escape their situation, with reception centers and job-finding resources.
- Actions in favor of people with disabilities are also a focus, with the 2020 goal of having 40% of accessible social housing, and 3% of adapted housing. The private sector is also encouraged to make housing accessible, in the same way as 1,800 establishments that are open to the public. A similar policy exists for adapting housing to meet the needs of the elderly. The city’s social action center promotes services allowing the elderly to stay in their homes. It opened two new centers for dependent elderly people in 2015.
- Social cohesion and development of the Social Solidarity Economy, which promotes professional integration. Five incubators and seven cooperatives for activity and employment assist social entrepreneurs.

3. Use of Proceeds

City of Paris’s Climate, Social or Sustainability Bonds will be used to finance and/or re-finance, in whole or in part, new or existing projects from any of the Eligible Project Categories defined below.

⁴ <https://www.paris.fr/grande-exclusion>

Specifically, the Use of Proceeds of any bonds issued under the City of Paris’s Sustainability Bond Framework will be applied to projects that fall under the following Eligible Project Categories and contribute to one or more of the following Environmental and/or Social objectives:

- Reduction of Greenhouse Gas (GHG) emissions;
- Reduction of energy consumption;
- Increase of the renewable energies in the supply mix;
- Adapt Paris to climate change and resources scarcity;
- Enhance access to essential services including education, culture, housing, health, access to service for low-income and underserved populations including children, young and elderly people;
- Generate employment;
- Support socio-economic advancement and empowerment.

Climate Eligible Projects Categories

Investments made to promote climate change mitigation and energy transition in order to support one or more of the four pillars of Paris’ Climate and Energy Action Plan.

Project Categories	Definition	Sub-categories	Objectives	Sustainability Benefits
1. Clean Transportation	Projects aiming at developing low-carbon energy transport (bicycle, electric vehicles) and public transport	<p>Public transport : High Quality Transit Line, tramway line extension, refurbishment of public spaces</p> <p>Alternative transport: cycling Plan</p> <p>Electric vehicles: support to the development of electric cars for residents and professionals, network of charging stations for electric and GNV vehicles</p>	Reduction of GHG emissions, due to low-carbon transport	Climate change mitigation --- GHG emissions reduction
2. Energy efficiency	Projects aiming at reducing the energy consumption of buildings and public lighting, while maintaining equivalent level of service (existing situation or vs. standard), with performance goals and energy poverty focus	<p>Buildings: construction of energy efficient, thermal insulation for buildings (schools, social housing, nursing homes, etc.)</p> <p>Public lighting and signals: replacement of energy consuming appliances</p> <p>Renovation of heating systems</p>	Energy savings	Climate change mitigation --- Energy savings
3. Renewable energy	Projects aiming at developing local renewable energy production and/or energy recovery	<p>Renewable energy power plants (solar panels)</p> <p>Geothermal energy</p> <p>Energy recovery (from wastewater networks, data centres)</p> <p>Heating network</p>	<p>Increase of renewable energy production</p> <p>Reduction of GHG emission, due to low-carbon energy use and/or energy recovery</p>	Climate change mitigation --- GHG emissions reduction and energy recovery
4. Adaptation to climate change	Projects aiming at reducing the impacts of climate change, especially the heat island effect, through the expansion of green area surfaces in Paris	<p>New green areas: areas opened to the public, green roofs, facades and walls</p> <p>Tree planting programmes</p>	Increase of green areas and biodiversity in Paris	Adaptation to climate change --- GHG emissions segregation

Social Eligible Projects Categories

Investments made to promote Social and Economic inclusion and support the City of Paris Sustainable Development goals.

Project Categories	Definition	Sub-categories	Objectives	Sustainability benefits
5. Access to essential services⁵ for target population	<p>Projects aiming at providing access to essential services for vulnerable populations (access to mobility, healthcare, employment, security)</p> <p><u>Target populations</u></p> <ul style="list-style-type: none"> • Homeless people • low-income population⁶ • young people • elderly people⁷ • people with disabilities • single-parent families 	<p>Projects linked to Parisian Pact against large-scale exclusion: homeless reception centres and job-finding resources, centres for dependent elderly people, support for single-parent families, childhood protection and prevention, health protection and prevention</p> <p>Accessibility to people with reduced mobility: investments linked with the City of Paris 2020 goal of having 40% of accessible social housing, and 3% of adapted housing</p> <p>Projects linked to Parisian Senior program: such as public EHPAD structures development in Paris</p>	<p>Increase the reception capacity</p> <p>Increase the accessibility capacity</p>	<p>Foster equal access to essential services</p> <p>---</p> <p>Reduce social exclusions and inequalities</p> <p>---</p> <p>Strengthen social cohesion and solidarity between territories and between generations</p>
6. Quality of life improvement in unprivileged area	<p>Projects aiming at improving quality of life in “priority areas”, as defined by law and which present the highest economic and social difficulties.</p> <p><u>Target populations</u></p> <ul style="list-style-type: none"> • Populations living in “Quartiers prioritaires de la Politique de la Ville”^{8,9} 	<p>Access to education, culture, leisure and sports : investment in infrastructures provided there is a “Quartier Prioritaire” in the influence area of the infrastructure</p>	<p>Increase education, culture, leisure and sports infrastructure capacity</p>	<p>Reduce social exclusions and inequalities</p>
7. Social Solidarity Economy	<p>Projects aiming at providing support to employment generation and socio-economic advancement and empowerment</p> <p><u>Target populations</u></p> <ul style="list-style-type: none"> • Unemployed people • MSMEs 	<p>Microfinance and small businesses: projects supporting MSMEs financing, microfinance for social entrepreneurs (“entreprises solidaires”, “structures d’insertion par l’activité économique”)^{10,11,12}</p>	<p>Increase social solidarity economy network</p> <p>Generate employment</p>	<p>Promote local Social solidarity economic development</p>

⁵ ILO: "essential services" means services, by whomsoever rendered, and whether rendered to the Government or to any other person, the interruption of which would endanger the life, health or personal safety of the whole or part of the population;"

⁶ Specific focus to population living in “Quartiers Prioritaires”

⁷ EHPAD access reserved to people who is at least 60 years old

⁸ As defined by the “contrat de la ville”: <https://www.paris.fr/participez/vie-des-quartiers/les-quartiers-populaires-2505>

⁹ Refers to NPNRU (“Nouveau Programme National de Renouvellement Urbain”)

¹⁰ <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029313296&categorieLien=id>

¹¹ <http://www.portail-iae.org/>

¹² **Exclusion list:**

http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist#2007

8. Social and Affordable¹³ Housing	Projects aiming at increasing the social and affordable housing supply to meet the demand of Parisians <u>Target populations</u> <ul style="list-style-type: none"> • low-income population¹⁴ • Parisian students 	Investments supporting the Parisian ambitious plan of at least 7,000 additional social housing units per year by 2020 Investments in new housing offer for students	Increase social housing capacity	Promote access to housing for all --- Reduce precarious situations
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4. Process for Project Selection and Evaluation

City of Paris has made environmental, social, and governance (ESG) commitments to attest the sustainable value of the financed project through ESG criteria, the City of Paris Sustainability policy and practices in place, and defined in the three domains related to the ESG issues: Environment, Society and Responsible development.

The large majority of projects set up in Paris is covered by markets supervised by the Procurement Department (“Sous-Direction des Achats”) in the frame of a Responsible Procurement Charter which guarantees the automatic inclusion of some ESG criteria and/or clauses in the selection of contractors and suppliers. In particular, the “Bureau support et techniques d’achat” is in charge of responsible purchasing. Some projects have a dedicated procurement department which ensures the integration of ESG criteria in contracts with the support of the “ Bureau support et techniques d’achats” in some cases.

A first analysis of assets eligibility is carried on by the City of Paris’ finance and procurement department, the “Direction des Finances et des Achats” (DFA), which collects data regarding eligible projects. Elected Members of the Paris Municipal Council are involved in discussions at this stage, as well as operational teams managing the projects.

A dedicated Sustainability Bond committee will be created comprising the General Secretary (“Secrétariat Général”), Finance and Procurement department (“Direction des Finances et des Achats”, DFA), the Urban Ecology Agency (“Agence d’Ecologie Urbaine”, AEU) and the relevant teams in charge of social programs. The Committee selects the eligible projects, reviews and approves on an annual basis and, when circumstances so require, the allocation of the proceeds to eligible projects and the annual reporting.

5. Management of Proceeds

The net proceeds of the Climate, Social and Sustainability Bonds issuance will be managed within City of Paris’ normal treasury liquidity account in accordance with the French regulatory Framework for Local Authorities, until the total amount of the net proceeds equals the total amount of selected eligible projects and/or until the maturity date of the Bond.

City of Paris will take specific measures as part of the annual financial audit process to track the invested amounts used to finance the selected eligible projects.

¹³ Refers to PLH (“Programme Local de l’Habitat”) and “Bleu Logement 2016”

¹⁴ Eligibility criteria for Social Housing are defined according to annual revenue https://www.paris.fr/services-et-infos-pratiques/logement/logement-social/demander-un-logement-social-37#qui-a-droit-a-un-logement-social_9

The net proceeds of the issuance will be used to finance and refinance current and future projects. Refinancing will be exclusively referring to budget year of the bond issue.

In case of project divestment, the Issuer will use the net proceeds to finance other eligible projects which are compliant with the current Use of Proceeds.

6. Reporting

On an annual basis at least until full allocation, the City of Paris will provide the following reporting on any bonds issued under this Framework:

- ESG reporting: reporting on ESG management and the monitoring of the ESG criteria at the project or bond level, when relevant.
- Allocation reporting: detailing the bond proceeds allocated by each eligible project category and the progress on the projects financed by the Bond proceeds.
- Impact reporting: on a project level, when feasible, for each eligible project category, City of Paris will endeavor to report using the following indicative reporting indicators

ESG performance indicators:

Domain	Criteria	Performance Indicators, at PROJECT level	Performance indicators, at BOND level
Environment	Environmental management	- Environmental Certification - and/ or Environmental management system (action plan, EIA, ISO 14001) - and/or Eco-design requirements (Yes/No)	- Share of projects with environmental management program (certification, action plan, eco-design)
	Energy and Air quality management	- Energy consumption - and/ or Energy efficiency (actual or estimated) - and / or Criteria related to energy integrated in the project (parks and garden)	
	Waste management	- Segregated waste collection (Yes/No)	
	Environmental impacts of disposal	- Segregation and treatment of hazardous wastes (Yes/No), at least for public lighting and signals projects	
Society	Social integration		- Total number of hours worked under social integration contracts, - and/or Share of procurements with social integration clauses (in % of projects), <i>Data collected at Paris' Purchasing Division level</i>
	Person with reduced mobility (PRM)	- Project is accessible and/ or contributes to improve the accessibility for PRM (Yes/No) – for transportation, parks and garden, social housing projects.	- Share of projects which are accessible and/or contribute to improve the accessibility for PRM (in % of projects, or consolidated at bond level) - for transportation, parks and garden, social housing projects
	Sustainable local development of territories	- Project proposes systematic information and/or consultation of main users and neighbours, whenever they are impacted (Yes/No)	
Responsible development	Social responsibility toward labor rights & human rights	- Health and safety requirements (e.g. safety coordinator controlling all workers on construction site, health& safety awareness for workers, product safety data sheets,...)	- Number of Health a Safety accidents consolidated at bond level - Share of contracts with an environmental and/or social clauses (in % of projects) <i>Data collected at Paris' Purchasing Division level</i>
	Business Ethics		- Number of court convictions against Paris' City, related to business practices / ethics (e.g. corruption) <i>Data collected at Paris' Purchasing Division level</i>

	Monitoring & internal control	<ul style="list-style-type: none"> - Project manager has been appointed (Yes/No) - And Project is audited at minimum on a yearly basis (Yes/No) 	
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Allocation reporting:

Criteria	Reporting indicators
Energy-Climate Projects financed by the Climate Bond proceeds	List of projects financed by the proceeds, including their description (date, location, category, progress) and the corresponding allocated amount (in €) Allocated amount vs. total amount (in %)
Social Projects financed by the Sustainability/Social Bond proceeds	List of projects financed by the proceeds, including their description (date, location, category, progress) and the corresponding allocated amount (in €) Allocated amount vs. total amount (in %)

Impact reporting - Climate Benefits:

Project Categories	Sub-categories	Reporting indicator*	
1. Clean Transportation	Public transport	Passenger kilometers (i.e. cumulated distance travelled by passengers, in km)	Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced (tCO ₂ e)
	Alternative transport	Distance of created cycle paths (km)	
	Electric vehicles	Number of created electrical terminals	
2. Energy efficiency	Buildings	Number of renovated housing	Ex-ante estimation of annual energy savings (MWh) Ex-ante estimation of annual Greenhouse Gas (GHG) emissions reduced or avoided (tCO ₂ e)
	Public lighting and signals		
	Renovation of heating systems		
3. Renewable energy	Renewable energy power plants (solar panels)	Ex-ante estimation of annual renewable energy produced (MWh)	Ex-ante estimation of annual Greenhouse Gas (GHG) emissions avoided (tCO ₂ e)
	Geothermal energy	Ex-ante estimation of capacity of renewable energy plant(s) constructed	
	Energy recovery	Ex-ante estimation of annual renewable energy recovered (MWh)	
	Heating network	Delivered energy from heating network (MWh)	
4. Adaptation to climate change	New green areas	Total New surface of green areas opened to the public (m ²) Total surface of new green areas on buildings : green roofs, facades and green walls, etc. (m ²)	

	Tree planting programmes	Total number of planted trees within Paris <i>intra muros</i> area
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*Detailed methodologies and assumptions have been established by internal expertise from agents of the “Agence d’Ecologie Urbaine” of Paris accredited for Carbon Evaluation, and are available on Issuer’s website.

Impact reporting - Social Benefits:

Project Categories	Sub-categories	Reporting indicators
5. Access to essential services	Projects linked to Parisian Pact against large-scale exclusion	Nb of beneficiaries Nb of programs
	Accessibility to people with reduced mobility	Nb of beneficiaries Nb of projects
	Parisian Senior Program	Nb of beneficiaries Nb of projects
6. Quality of life improvement in unprivileged area	Access to education, culture, leisure and sports	Nb of beneficiaries Nb of projects
7. Social and Economic Inclusion	Microfinance and small businesses	Nb of MSMEs supported Nb of jobs preserved Nb of jobs created
	Entrepreneurship enhancement	Nb of MSMEs created Nb of job created
8. Social and Affordable Housing	Social housing	Nb of dwellings Nb of beneficiaries
	Housing for Students	Nb of dwellings Nb of beneficiaries Nb of students

City of Paris may select alternative, quantitative or qualitative indicators to remain relevant to the selected green and social assets. For all eligible assets, City of Paris may integrate additional quantitative or qualitative indicators as considered appropriate to disclose relevant performances or details on assets management.

Reporting on any bonds issued under the City of Paris’s Climate and Sustainability Bond Framework will be made available on the City of Paris website.

This Framework will also be made available on the City of Paris website (paris.fr).

7. External Review

Second Opinion

The City of Paris has appointed Vigeo-Eiris, to provide a Second Party Opinion on this Sustainability Bond Framework.

This Second Party Opinion document will be made available on City of Paris’s website.

External Verification

An external verification of the tracking of the bond proceeds will be provided, during the fund allocation process, until the complete allocation of proceeds, by the Public Accountant (DRFiP) and the Préfet, representing the French State:

- In accordance with the French regulatory Framework the DRFIP (“Direction Régionale des Finances Publiques”, Ministère de l’économie et des finances i.e. French State) checks all legal documentation related to contracts signed and transmitted by Paris administration departments prior to allowing any transfer of funds or payment.
- This process guarantees that funds are properly attributed to the projects within the amounts set by the “AP’s” (“Autorisation de Programme”). The Administrative Account reports all the amounts attributed to each AP, it is voted once a year by Paris Town Council and then checked by the “Préfet”.
- Paris commits to mention the AP number of all the reported projects in its annual reporting for the Sustainable Bonds on a project level, thus allowing investors to check the consistency of the allocation of funds reported with the Administrative Account.

An external consultant will review, on an annual basis and until the full allocation of the Sustainability Bonds proceeds the conformity of the Eligible Climate and Social Projects included in the reporting with the eligible categories and eligibility criteria defined within sections 3 and 4.