

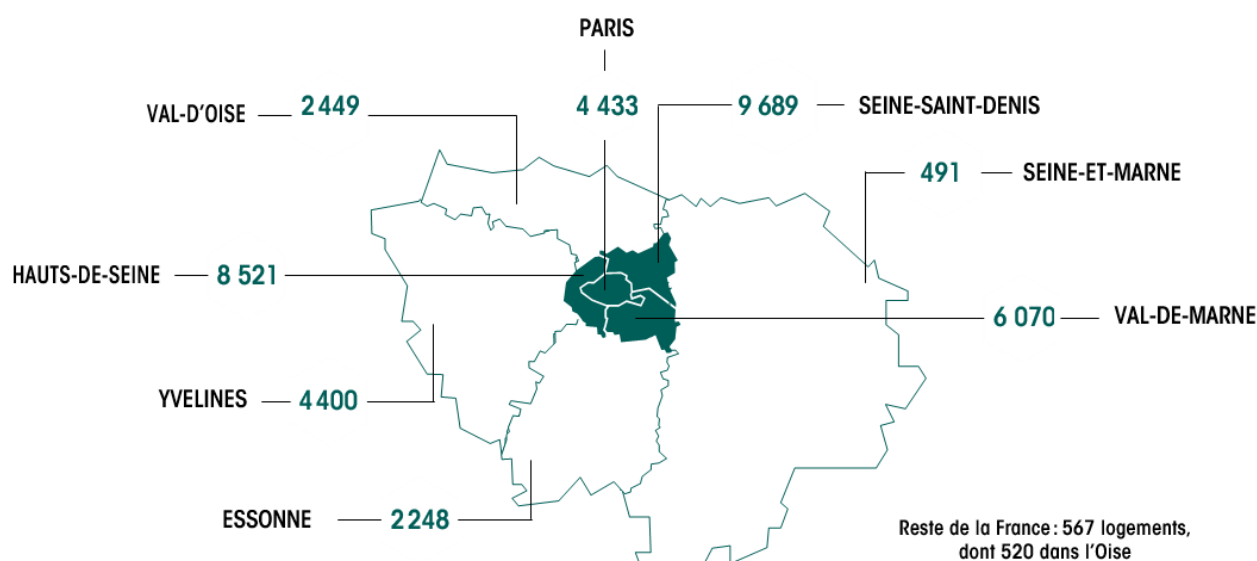


**GREEN FINANCING FRAMEWORK**

**June 2022**

## I. Introduction

In'li is the **Action Logement Group subsidiary** dedicated to **intermediate housing**<sup>1</sup>. The Company was created in October 2017 out of the merger of four group entities: OGIF, RRP, SOCALOG and Immobilière ACL-PME. In'li has four activities: (i) rental management, (ii) development and project management, (iii) maintenance and renovation of assets, and (iv) sales. Its portfolio comprises 38,868 housing units located in supply-constrained areas of the Paris region, making In'li no. 1 in intermediate housing in this region.



As no. 1 in intermediate housing in the Paris region, in'li has made some major Corporate Social Responsibility (CSR) commitments which form part of its corporate DNA and are reflected in its property portfolio profile.

- A strong social impact for our tenants with rents that are below market rates and a portfolio located mostly in the main supply-constrained areas<sup>2</sup> of the Paris region.
- Quality housing located close to public transport and employment hubs;
- Energy-efficient and environmentally friendly housing, reflected in an ambitious policy of renovating the existing housing portfolio and the goal of producing 80,000 energy-efficient homes.

This was the rationale for **in'li's five key CSR focuses** devised in 2020 in line with its strategic priorities:

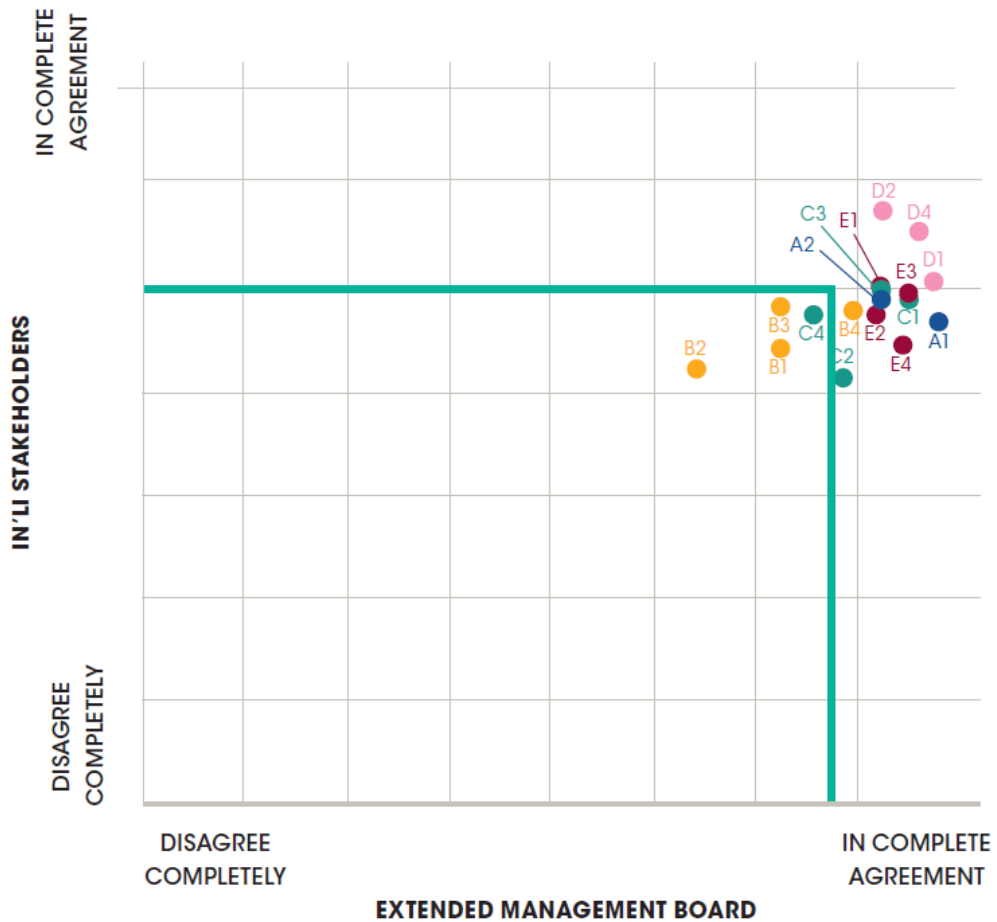
<sup>1</sup> Intermediate housing is affordable housing near decision centres and employment hubs in supply-constrained areas intended for middle-class people.

<sup>2</sup> The supply-constrained areas on which in'li focuses its activity refers to zones Abis and zone A, as defined in the French Pinel rental investment mechanism, where the local residential market is under the most strain. In'li targets only those areas in which there is a substantial gap between free market and social housing rents. Regulations covering the Pinel mechanism and intermediate housing also apply to zone B1 (*i.e.*, less supply-constrained than zones A and Abis) in which in'li does not currently operate as it has opted to focus on the two most supply-constrained zones, *i.e.*, zones A and Abis.

1. Developing an affordable new housing offering near public transport and employment hubs;
2. Guaranteeing a quality service for tenants;
3. Adapting jobs to the requirements of the sector and the expectations of employees;
4. Reducing the environmental footprint;
5. Guaranteeing ethical business practices and striving for ethical corporate governance;

In'li also undertook a risk materiality analysis to gain a more effective understanding of the ESG expectations of both the Company and its stakeholders.

Materiality matrix



**Legend**

- A. Developing an affordable new housing offering near public transport and employment hubs**
- A1 Housing offering in a good geographical location
- A2 Affordable housing offering

## B. Guaranteeing a quality service for tenants

- B1 Listening to customers and partners
- B2 Focusing on customer satisfaction
- B3 Quality housing offering
- B4 Keeping tenants in their own homes (accessibility for persons with reduced mobility, financial aid)

## D. Guaranteeing ethical business practices and striving for ethical corporate governance

- D1 Combating all forms of discrimination
- D2 Proactive protection of personal data
- D3 Impartiality in housing allocation policy
- D4 Ethical behaviour (combating fraud and corruption, compliance with regulations)

## C. Reducing our environmental footprint

- C1 Sustainable and profitable business model
- C2 Involvement in housing renovation
- C3 Construction and renovation in line with environmental standards
- C4 Factoring the impact of environmental change into the housing offering

## E. Adapting jobs to the requirements of the sector and the expectations of employees

- E1 Innovation
- E2 Supporting employee skills development
- E3 Decent working conditions for all employees
- E4 Listening to employees

## II. In'li Group CSR strategy

In'li's CSR strategy is underpinned by its *raison d'être*, which reflects the Company's inherently societal mission: **“Growing the intermediate housing offering in order to bring young and middle-class people<sup>3</sup> closer to their place of work and thus strengthening the employment-housing link and boosting regional attractiveness.”**

### 1. Committed to exercising its public service mission

**In'li has a public service mission.** Indeed, developing an affordable housing offering in supply-constrained areas is in'li's core business and *raison d'être*.

In'li's dwellings are marketed as **intermediate housing**. Intermediate housing is a specific segment of rental housing geared towards the middle classes and young working people living in supply-constrained areas. These groups are ineligible for social housing because they earn too much but they find it hard to get suitable housing on the open market: either rents are too high or they are forced into unsuitable accommodation that is either too small or too far from their place of work. With rents that are capped below market rents, **intermediate housing helps middle-class and young working people to get decent housing and improve their purchasing power, reinforces the employment-housing link and facilitates job mobility as a way of developing local and regional attractiveness.**

Different studies have shown that there is currently a major shortage of intermediate housing in the Paris region with the potential demand for this type of housing in the region estimated at between 160,000 and 280,000 households<sup>4</sup>.

---

<sup>3</sup> Middle class refers to households whose resources are less than or equal to the eligibility threshold for Intermediate housing rental status (*LLI* or *Logement Locatif Intermédiaire* in French).

<sup>4</sup> April 2021 report by the *Inspection Générale des Finances* and *Conseil Général de l'Environnement et du Développement Durable* – “Développement de l'offre de logement locatif intermédiaire par les investisseurs institutionnels” (Growing the supply of intermediate rental housing by institutional investors)

## 2. Committed to battling climate change

As a committed stakeholder in the battle against climate change and conscious that housing is one of the big greenhouse gas emitters in France, **building an energy-efficient property portfolio is one of in'li's key objectives**. The Company also wishes to address a major challenge for residents, who will benefit from enhanced thermal comfort and affordable heating costs.

As with Action Logement Group as a whole, environmental goals form one of the pillars of in'li's CSR policy at the heart of the Company's strategic plan. **This major goal, supported at in'li Management Board level, is underpinned by two major focuses:**

- **An ambitious policy of retrofitting existing properties.** Renovation will be reflected in the eradication of very poorly insulated housing, which concentrates climate and social issues around sustainable housing;
- **A policy of increasing the supply of intermediate housing based solely on new energy-efficient housing.**

**By deploying these two pillars, in'li aims to make its properties carbon neutral by 2050 and to reduce its energy consumption by nearly 60%, in accordance with the Paris Climate Agreement and the French National Low Carbon Strategy (SNBC).**

## 3. In'li's contribution to Sustainable Development Goals (SDGs)

In 2015, as part of the 2030 Agenda, the United Nations drew up seventeen Sustainable Development Goals (SDGs) that aim to tackle the major environmental and societal challenges that all stakeholders need to meet in order to build a more equitable, sustainable and responsible world together.

In'li harnesses this universal reference to structure its sustainable development policy and target priorities around this matrix. **In'li has identified ten Sustainable Development Goals to which its commitments and actions contribute in a significant manner.**



Participation in the SDGs is tracked using indicators and targets that are reported for the first time this year in the Company's CSR Strategy Report.

## III. Rationale behind a green financing programme with a social focus

In'li, a major player in French intermediate housing, aims to “strengthen the employment-housing link and boost regional attractiveness” by offering affordable housing to young and middle-class working people.

This social mission is underpinned by a desire to address the major climatic and environmental challenges faced by the real estate sector **and since 2019, in'li has undertaken a virtuous approach to align its financial and its CSR strategy through a number of initiatives:**

- Signature of a financing agreement with the European Investment Bank (EIB) in 2019 dedicated to financing energy efficient properties: minimum RT 2012-10% energy performance targets, or RE 2020 guidelines once they come into force;
- An €800 million Sustainability Loan arranged in 2021 as part of the creation of Foncière Cronos, in partnership with Axa Investment Managers. Foncière Cronos is the first property company of its size in Europe to be wholly financed by a Sustainability Mortgage Loan. This loan was recognised as the "Sustainable Financing of the Year 2021 in Europe" by Real Estate Capital Europe, the reference in real estate financing;
- Arrangement of a €600 million Sustainability-Linked Loan in June 2021, incorporating three ESG performance indicators linked to energy retrofits of in'li's properties, the construction of new affordable housing in A and Abis supply-constrained areas, plus quantification of GHG emissions and deployment of a reduction pathway.

This Green Financing Framework is part of this approach and underlines in'li's willingness to go even further in tackling the challenges of the energy transition **by setting up a green bond and loan financing program to help serve its social and societal mission.**

## IV. Green financing framework

This Framework enables the in'li Group to create green financing instruments with a social focus, including green loans and green bonds, both in public and private format, to finance and/or refinance, directly or indirectly, sustainable real estate projects that provide enhanced access to affordable housing for certain target populations, as defined in section II. 1.

This Framework is aligned with the Green Bond Principles published by the International Capital Markets Association (ICMA) in June 2021<sup>5</sup>, and the Green Loan Principles published by the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA) in February 2021<sup>6</sup>. The Framework therefore adheres to the following four key principles:

### 1. Use of Proceeds

### 2. Process for Project Evaluation and Selection

### 3. Management of Proceeds

### 4. Reporting

This Framework details the substantial contribution that in'li's green financing instruments will make to the European Union's environmental objectives, particularly climate change mitigation. It also complies insofar as

---

<sup>5</sup> ICMA, *Green Bond Principles*, June 2021, available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>6</sup> APLMA, LMA et LSTA, *Green Loan Principles*, February 2021, available at <https://www.lsta.org/content/green-loan-principles/>

possible with the technical selection criteria of the Delegated Regulation plus annexes comprising Regulation (EU) 2020/852 ("EU Taxonomy")<sup>7</sup>.




## 1. Use of proceeds

An amount equivalent to the proceeds of in'li's green financing instruments will be used to finance and/or refinance green Eligible Assets ("Eligible Assets"), most of which will have a social purpose, *i.e.* assets with environmental benefits linked to the eligibility criteria set out in this Framework, together with social benefits from in'li's social mission of providing young and middle class working people with better access to housing. Refinancing will be limited to Eligible Assets that have been paid for no more than 36 months prior to the date of issuance or closing of the green financing instrument.

All Eligible Assets are related to Sustainable Buildings, classified within the following two categories:

- Construction, acquisition and ownership of low-carbon affordable residential or accommodation buildings for middle class people, young workers or students;<sup>8</sup> and
- Renovation of affordable residential or accommodation buildings for middle class people, young workers or students.


### Categories of green Eligible Assets

Categories of green Eligible Assets	Environmental eligibility criteria	Contribution to EU Taxonomy environmental objectives	Contribution to Sustainable Development Goals (SDGs)	Social benefits
Construction, acquisition and ownership of low-carbon affordable residential or accommodation buildings for middle class people, young workers or students	<p>Eligible projects consist of residential or accommodation properties, including co-living and student accommodation and equity investments in residential real estate companies<sup>9</sup>. Eligible projects have all been subjected to an air-tightness test and comply with the following criteria depending on the building permit application date:</p> <p>1. <u>Before 31 December 2020:</u> The Primary Energy Demand (PED) of buildings is aligned with the national threshold for Nearly-Zero Energy Buildings (NZEB) requirements of the European Union in France, as</p>	Climate change mitigation	 <ul style="list-style-type: none"> <li>• Target 1.4</li> </ul>  <ul style="list-style-type: none"> <li>• Target 7.3</li> </ul>  <ul style="list-style-type: none"> <li>• Target 11.1</li> <li>• Target 11.a</li> </ul>	Access to affordable residential or accommodation buildings for middle class people, young workers or students.

<sup>7</sup> Commission Delegated Regulation of 4 June 2021, completing Regulation (EU) 2020/852 adopted by the European Parliament and Council, setting out uniform criteria for companies and investors regarding the economic activities that may be considered environmentally sustainable (*i.e.*, making a substantial contribution to EU environmental objectives such as climate change mitigation, without causing significant harm to other objectives), available at [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PL\\_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PL_COM:C(2021)2800)

<sup>8</sup> The construction of residential or accommodation properties includes investments in division of ownership arrangements.

<sup>9</sup> Equity investments in real estate companies may be made through a capital increase or shareholder loan.

	<p>transposed by French RT 2012 energy performance regulations<sup>10</sup>;</p> <p>2. <u>Between 1 January 2021 and 31 December 2021</u></p> <p>The Primary Energy Demand (PED) of buildings is at least 10% below the national threshold for Nearly-Zero Energy Buildings (NZEB) requirements of the European Union in France, as transposed by French RT 2012 energy performance regulations;</p> <p>3. <u>From 1 January 2022 on</u></p> <p>The Primary Energy Demand (PED) of buildings is aligned with the national threshold for Nearly-Zero Energy Buildings (NZEB) requirements of the European Union in France, as transposed by French RE 2020 energy performance regulations, and insofar as possible, 10% below the RE 2020 threshold, subject to energy performance certification upon delivery. Global Warming Potential indicators are calculated for each stage in the life cycle of eligible projects and reported to investors and clients on request.</p>		 <ul style="list-style-type: none"> <li>Target 13.1</li> </ul>	<p><u>Target population</u><sup>11</sup> : incoming tenants must earn income that meets the eligibility threshold for Intermediate housing rental status (<i>LLI</i> or <i>Logement Locatif Intermédiaire</i>)<sup>12</sup> or social housing loans (<i>PLS - Prêt Locatif Social</i>)<sup>13</sup>;</p>
--	---	--	---	--





<sup>10</sup> According to the Global Buildings Performance Network, French RT 2012 energy performance regulations (RT 2012) set the primary energy consumption threshold (PEC) at between 40 kWh/sq.m./year and 65 kWh/sq.m./year. According to the Taxonomy guide issued by the *Observatoire de l'Immobilier Durable* (available at <https://www.taloen.fr/ressources/17a91ba7-945d-4c4d-abdb-c6468a81c5a4>), based on the 2021 survey of energy and environmental performance, the top 15% of residential buildings in France in terms of Primary Energy Consumption are within the threshold of 150 kWh/sq.m./year. Consequently, Eligible Assets built before 31 December 2020 are among the top 15% of residential buildings in terms of Primary Energy Consumption at French national level.

<sup>11</sup> The social benefit for the target population applies only to residences managed directly by in'li (excluding managed residences, co-living and real estate companies)

<sup>12</sup> *Logement Locatif Intermédiaire (LLI)* is a French affordable housing programme covered by Government Order No. 2014-159 of 20 February 2014 and decree No. 2014-1102 of 30 September 2014. Household income eligibility criteria are regulated by annual French ministerial decree based on household profile and location of the property. Income ceilings are designed to give housing access to households with incomes that are too high to qualify for social housing, but too low to be able to afford housing in the private sector.

<sup>13</sup> *Prêt Locatif Social (PLS)* are social housing loans and income ceilings are lower than for intermediate rental housing. They are regulated annually based on household profile and location of the property.



<p>Renovation of affordable residential or accommodation buildings for middle class people, young workers or students.</p>	<p>Renovation projects comply with at least one of the two following criteria:</p> <ol style="list-style-type: none"> <li><u>Energy savings:</u> The renovation reduces the building's Primary Energy Demand (PED) by more than 30%.</li> <li><u>Alignment with post-renovation Nearly-Zero Energy Buildings (NZE)</u> The renovation results in a Primary Energy Demand (PED) below the national threshold for Nearly-Zero Energy Buildings (NZE) requirements of the European Union in France, as transposed by French RE 2020 energy performance regulations.</li> </ol>	<p>Climate change mitigation</p>	 <ul style="list-style-type: none"> <li>Target 1.4</li> </ul>  <ul style="list-style-type: none"> <li>Target 7.3</li> </ul>  <ul style="list-style-type: none"> <li>Target 11.1</li> <li>Target 11.a</li> </ul>  <ul style="list-style-type: none"> <li>Target 13.1</li> </ul>	<p><u>Affordable rent:</u> dwellings are rented (excluding charges) for at least 10% less than the rents charged on the open market for comparable housing in supply-constrained areas.</p>
--	---	----------------------------------	---	---

Insofar as possible, the eligibility criteria set out above have been established in accordance with the technical selection criteria defined in EU Taxonomy articles 7.1 (Construction of new buildings), 7.2 (Renovation of existing buildings), and 7.7 (Acquisition and ownership of existing buildings). All eligible projects will be located in France, a member of the OECD which applies OECD Guidelines for Multinational Enterprises on its territory. Furthermore, as a member of the UN Global Compact, in'li will ensure strict compliance with minimum labour and human rights guarantees<sup>14</sup> for all Eligible Assets, and these will be enshrined in contractual clauses with property developers.

<sup>14</sup> As defined by OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and the eight fundamental conventions of the International Labour Organisation.

## 2. Process for Project Evaluation and Selection

The Group has set up a Green Finance Committee to coordinate and track all processes related to in'li's green financing instruments. The Committee is chaired by the Director of the Financing Department and comprises the following employees and heads of teams:

- a representative from the Management Board;
- the Financing department team;
- the Deputy CEO in charge of in'li's sustainable development strategy;
- a representative of the Deputy CEO's department in charge of Investment and Construction;
- a representative of the Property divisions in charge of operations;
- the Technical Director – Property Portfolio in charge of tracking building renovation work;
- the Director of Customer Relations and Marketing, whose brief includes in'li's social services department.

The Committee will meet at least twice a year to coordinate and oversee the following missions:

- Validating the eligibility of assets pre-selected by the Financing team and the Deputy CEO's department in charge of Investment and Construction, with regard to the eligibility criteria and environmental and social objectives set out in this Framework with a view to incorporating them into in'li's portfolio of Eligible Assets;
- Managing the proceeds and tracking the appraisal value of the portfolio of projects financed until the maturity of the green finance instruments, as defined in section II.3 of this Framework;
- Verifying compliance with the laws and regulations applicable to eligible projects and monitoring potential environmental, social and governance controversies until the maturity of the instrument;
- Setting up and validating annual allocation and impact reporting of the green finance instruments, as defined in section II.4 of this Framework; and
- Making any amendments to this Framework to reflect potential material changes in governance or sustainability strategy, and/or updating the eligibility criteria to reflect changes in best market practices and green finance regulations.

### 3. Management of Proceeds

Green finance instruments' proceeds will be credited to in'li's cash reserves and a matching amount will be allocated to in'li's portfolio of Eligible Assets, in accordance with section II.1 of this Framework, until full allocation.

For each issuance of a green finance instrument, internal monitoring tools will be set up by the Financing team, under the oversight of the Green Finance Committee, to track allocation of proceeds until full allocation.

In'li will endeavour at all times to maintain the purchase value of the Eligible Assets portfolio at an amount that is higher than the total amount of outstanding green finance instruments.

Pending allocation of proceeds to Eligible Assets, in'li will hold the unallocated balance of proceeds in the Group's cash reserves (*i.e.*, in cash or cash equivalents), in line with in'li's treasury management policy.

In the unlikely event that an Eligible Asset becomes ineligible or in'li disposes of an Eligible Asset, the Group undertakes to reallocate an equivalent amount within 12 months to new Eligible Assets, based on the criteria set out in section II.1 of this Framework.

### 4. Reporting

Each year, until full allocation or in the event of a material change in allocation, in'li undertakes to prepare and publish a report consisting of:

- an allocation report, and
- an impact report

#### 1. Allocation report

The allocation report will include the following disclosures:

- total amount of green financing raised by type of instrument;
- total amount of allocated proceeds by category of Eligible Assets;
- total amount of unallocated proceeds;
- the percentage of buildings whose Primary Energy Demand (PED) is at least 10% below French RE 2020 energy performance regulations among the eligible buildings acquired, built or owned for which building permits were submitted after 1 January 2022; and
- the percentage of financing and refinancing.

#### 2. Impact report

In'li undertakes to monitor and report each year on the environmental and social impacts of the assets financed or refinanced by the green financing instruments with a social purpose for each category of Eligible Assets, based on output and/or impact indicators from among those listed below for information purposes:

Examples of impact indicators

Type of impact	Examples of output and impact indicators
Environmental indicators	<ul style="list-style-type: none"><li>- Annual energy savings (MWh/sq.m)</li><li>- Annual greenhouse gas emissions avoided compared to a baseline scenario (tCO<sub>2</sub>eq)</li><li>- Number of dwellings renovated</li><li>- Environmental labels obtained and/or standards applied for new buildings (as a percentage of the number of dwellings and the amount of the investment)</li><li>- Average distance from public transport (m)</li></ul>
Social impact	<ul style="list-style-type: none"><li>- Number of housing units by zone</li><li>- Number of families housed during the year</li><li>- Estimated annual rent savings for beneficiary households <i>vis-à-vis</i> rents charged on the open market</li><li>- Estimated average/median income of beneficiary households for incoming tenants</li></ul>

## V. External assurance

### 1. Second Party Opinion

ISS ESG has been mandated to review the relevance, transparency and methodology of in'li's Green Financing Framework and its compliance with Green Bond Principles and Green Loan Principles. ISS ESG has issued a Second Opinion which is available on in'li's website. Any amendment to this Green Financing Framework will be subject to a new Second Party Opinion.

### 2. Annual third party verification

Each year, until full allocation, or in the event of a material change in allocation, an independent third party appointed by in'li will audit in'li's green financing instrument allocation report. The independent third party will verify that in'li's green financing instruments comply with the criteria set out in this Framework.