

GREEN, SOCIAL AND SUSTAINABILITY (GSS) Bond Framework



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Introduction

The present document aims to provide a framework for green, social and sustainability bonds to be issued by BCGE. In order to meet the requirement for transparency on non-financial issues, BCGE's intention is to align these issues with the Principles and Guidelines defined by the International Capital Market Association - ICMA.

1. Corporate & Societal Responsibility Policy (or CSR Policy)

1.1. BCGE and its mission as cantonal bank

In accordance with article 2 of the Banque Cantonale de Genève (BCGE) Act of 24 June 1993, "the main aim of the BCGE is to contribute to the economic development of the canton and the region [...] It is managed in accordance with the proven principles of banking economics and ethics".

1.2. Foundation of BCGE's responsible approach

BCGE is a universal bank, subject to market laws, which is expected to be competitive and profitable. Its main objective is to ensure its economic success, in line with its mission to serve the community. In addition, as a financial player, it must comply with existing regulations, ensure effective risk management and ethical behavior in all its business lines and maintain regular, accurate and transparent reporting. The bank must therefore reconcile these two objectives with the need, a condition of survival, to adapt to the very dynamic demand of the banking market.

Fully aware of this challenge, the Government (Council of State and Grand Council) and the bank have drawn up, as a complement to existing legislation, a charter of ethics adapted both to the realities of the banking market and to the moral requirements emanating from the concepts of "sustainable development" and "corporate social responsibility (CSR)". For several years, the bank has thus followed a line of conduct inspired by its ethics charter and by its social responsibilities, as much out of respect for its own values as out of strategic and commercial interest. Existing within a regional economic community as a banking company under public law, listed on the stock exchange and rated by a major rating agency already entails a constraint (of no fault) in terms of reputation. BCGE's Ethical and Environmental Responsibility Policy (or CSR policy) completes this line of conduct, as well as the normative field, by the voluntary integration of societal, environmental and ethical concerns. It specifies the framework within which BCGE intends to carry out its activities and conduct its relations with its stakeholders.

The EERP committee (or CSR committee), headed by two managing directors, coordinates the implementation of the CSR policy within the divisions. It is responsible for ensuring that the policy is applied and for ensuring full transparency on the commitments made as part of the CSR policy.

1.3. BCGE's corporate & societal responsibility: a commitment to transparency on non-financial matters

The tightening of regulations on non-financial matters has led the BCGE to adjust its CSR policy by integrating new requirements:

- Transparency on non-financial issues (Art. 964b of the CO)
- Specific treatment of climate issues (Executive ordinance on climate issues)

In its new version, BCGE added to its CSR policy the description of the interaction between its business model and non-financial issues. This interaction responds to the principle of double materiality:

- To report on actions taken to protect the bank against ESG factors that have a financial materiality likely to influence the value of the company
- To report on the impact of the bank's activity on the ecological, social and economic environment. In doing so, it aims to contribute to Sustainable Development Goals

The use of ICMA standards for social, environmental and sustainability bond issues helps to meet the transparency and comparability requirements of the regulations.

BCGE can issue three types of bonds under this Framework:

“Green Bonds”: bond instruments where the proceeds will be exclusively applied to finance or refinance, in part or in full, new and/or existing Green Projects (as defined under section “Use of Proceeds”) and which are aligned with the four core components of the Green Bond Principles.

“Social Bonds”: bond instruments where the proceeds will be exclusively applied to finance or refinance in part or in full new and/or existing social projects (as defined under section “Use of Proceeds”) and which are aligned with the four core components of the Social Bond Principles.

“Sustainability Bonds”: bond instruments where the proceeds will be exclusively applied to finance or refinance in part or in full new and/or existing green projects and social projects (both terms are defined under section “Use of Proceeds”) and which are aligned with the four core components of the Sustainability Bond Principles.

Following the ICMA Bond Guidelines, the BCGE's GSS Bond Framework has the following core components:

1. Use of Proceeds
2. Process for Project Evaluation & Selection
3. Management of proceeds
4. Reporting

2. Green, social and sustainability (GSS) Bond Framework

2.1. Rationale for Issuance

BCGE acknowledges that the banking industry has an important role to play in the transition towards more responsible, lower-carbon economies, both through risk management and products and services it provides as well as the financial assets it manages. It is understood that certain Social Projects may also have environmental co-benefits, and that certain Green Projects may have social co-benefits.

2.2. Alignment with the ICMA Bond Principles

This GSS Bond Framework will apply to any Green, Social or Sustainability Bond issued by BCGE and will last as long as any such instrument is outstanding. This GSS Bond Framework is aligned with the relevant standards:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023)
- Sustainability Bond Guidelines (SBG), as administered by the International Capital Market Association (ICMA) (as of June 2021)

2.2.1. Use of Proceeds

BCGE wishes to help its customers in the transition phase to become more sustainable. BCGE finances therefore projects and entities which contribute to the sustainability of our planet and promote social outcomes. These projects are financed by BCGE through loans granted to its customers. BCGE acts as a lender. BCGE's Relationship Managers assist their clients in the process of regulatory compliance in accordance with federal, cantonal and municipal laws and in accordance to self-regulation guidelines of Swiss Bankers Association and Asset Management Association Switzerland.

For the purpose of this GSS Bond Framework, loans and projects financed through a GSS bond must fall under the green eligible categories ("green projects"), the social eligible categories ("social projects") or both of them, respectively. All the green and social projects are only located in Switzerland. BCGE applies the ASIR¹ exclusion criteria in its project selection process.

Social approach

As long as BCGE respects the constraints imposed by its mission as a cantonal bank and by its commitments to its stakeholders, it will finance or refinance the construction

¹ : Criteria of exclusion defined by the Swiss Association for Responsible Investments. These include cluster bombs and cluster munitions, anti-personnel mines and landmines, as well as biological and chemical weapons. For the classification, we orient ourselves on Swiss legislation and international agreements ratified by Switzerland.

of buildings that meet the criteria listed under the section “Project selection criteria”, page 7.

The framework for action is defined by the Federal Constitution of the Swiss Confederation, the Federal Housing Law², the (Cantonal) General Law on Housing and Protection of Tenants³ and the (Cantonal) Law for the Construction of Public Utility Housing⁴.

Environmental approach

As long as BCGE respects the constraints imposed by its mission as a cantonal bank and by its commitments to its stakeholders, it will accompany its clients towards the energy transition. BCGE will finance or refinance the projects that meet the criteria listed under the section “Project selection criteria”, page 7 below.

The framework for action is defined by the Federal Energy Act⁵, Cantonal Energy Act⁶ and Renovation Act⁷.

BCGE is constantly striving to significantly reduce energy consumption in the office buildings used and owned by the bank through renovations and individual energy measures. The largest project is the conversion of the bank’s head office, whose building will be connected to a lakewater heat pump.

BCGE is also striving to significantly reduce the demand for building and heating energy as well as associated CO2 emissions at various branches through renovations or specific energy-saving measures.

The project portfolio will be renewed over time with ongoing investments in renewable energy sources and the use of efficiency potential in new buildings and renovations.

2.2.2. Process for Project Evaluation & Selection

Embedding of the BCGE GSS loan in the CSR policy of BCGE

BCGE evaluates those loans, and/or projects, allocates them under the eligible green or social categories and selects those green or social projects according to the following procedure:

- The selection process for eligible projects is carried out by the credit risk manager with the support of the real estate expert
- ESG risks associated with selected projects are analyzed, identified and managed by the non-financial risk manager in accordance with the risk map in force. This risk map is regularly updated and strengthened
- The selection is submitted to the members of the GSS Bond Committee for final approval

² : Loi sur le logement

³ : Loi générale sur le logement et la protection des locataires

⁴ : Loi pour la construction de logements d'utilité publique / Règlement d'exécution de la loi pour la construction de logements d'utilité publique

⁵ : Loi sur l'énergie

⁶ : Loi sur l'énergie de Genève

⁷ : Loi sur les démolitions, transformations et rénovations de maisons d'habitation (mesures de soutien en faveur des locataires et de l'emploi) / Règlement d'application de la loi sur l'énergie

- The projects selected must have appeared in the bank's portfolio in the 5 years preceding the bond issue
- Projects eligible under the social criteria must also comply with the energy and carbon emission criteria defined in this framework in order to maintain the consistency of the overall approach

To ensure that the allocations are made to eligible Green and Social Assets as specified in the section “Use of Proceeds” above, BCGE will establish a GSS Bond Committee.

The GSS Bond Committee will be responsible for:

- Ensuring the proposed portfolio of eligible green and social assets is aligned with the categories as specified in the Use of Proceeds section above, and approving any proposed changes to the portfolio in the event that the existing assets no longer meet the eligibility criteria (e.g. following divestment, liquidation, technology switch, concerns regarding alignment of underlying activity with eligibility criteria etc.) or in the event of early amortization
- Reviewing and approving allocation or reallocation of the assets to the eligible green and social categories
- Reviewing and approving the bond reporting (see Section “Reporting” below)
- Reviewing and approving any proposed updates to the framework

The GSS Bond Committee is composed of:

- Head of financial market and treasury
- CSR manager / Non-financial risk manager
- Head of asset liability management
- Head of risk department
- Credit risk manager
- Real estate expert

The Committee will meet on a quarterly basis to review proposed allocations and to ensure these are made in line with the specified uses outlined above.

Project selection criteria






Social eligible categories

Financing and/or refinancing Public Utility Real Estate and Infrastructure according to the following criteria:

- According to the object’s use
 - The object is qualified as being of public utility by federal, cantonal or municipal legislation
 - When the construction cost is controlled by state (or semi-state) authority and the level of rents is also subject to such control
- According to the owner’s activity: the object is held by an owner carrying out a Public Utility activity:
 - Public authorities
 - Housing cooperatives




- Foundations owned by public authorities whose purpose is to promote low-cost rental
- Any other entity with a public and social activity



Description of social eligible categories

Category	Description	Targeted population
Affordable Housing  	Public Utility Real Estate, engaged in the construction, and renovation of affordable homes as described above, eligible to municipal, cantonal and federal legislation	General public with a focus on: <ul style="list-style-type: none"> • Families • Households with low income
Access to essential services 	Local authorities engaged in the provision of essential services as a public good, accessible to all, including loans to finance/refinancing of health care, special care, education and cultural facilities such as: <ul style="list-style-type: none"> • Public hospitals • Schools, universities • Student housing • Specialized establishments for the elderly • Public libraries, museums 	General public with a focus on: <ul style="list-style-type: none"> • General public who use the publicly accessible healthcare system • Older people • People with special care needs
Socioeconomic advancement and empowerment  	Social infrastructure facilities, such as: <ul style="list-style-type: none"> • Facilities for people suffering from addiction • Facilities for people with disabilities 	<ul style="list-style-type: none"> • People with disabilities • People with addictions • Children and adolescents • Women • Other vulnerable population groups

Key performance indicators

(according to the ICMA principles, those indicators will be published in the annual report)






Category	Description
Affordable Housing  	<ul style="list-style-type: none"> • Number of residential units • Living space in m2 • Target population, number of residents
Access to essential services 	<ul style="list-style-type: none"> • Number of facilities • Target population, number of patients/residents

<p>Socioeconomic advancement and empowerment</p>  	<ul style="list-style-type: none"> • Number of facilities • Target population, number of people
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Green eligible categories






- Financing/refinancing the construction of new buildings for commercial and private use that meet high energy performance standards or certifications for environmental performance set by the law
- Financing/refinancing targeted renovations to improve the thermal insulation of buildings and the energy performance of equipment in accordance to high energy standards and/or to constraints set by the law

Description of green eligible categories

Category	Description
<p>Green Buildings</p>   	<ul style="list-style-type: none"> • Green buildings that comply with (very) high energy performance standards and their relative certification (Minergie®, GEAK®, 2000-Watt-Areal®)⁸
<p>Energy efficiency of existing buildings</p>  	<ul style="list-style-type: none"> • Renovation and restructuring of existing buildings that comply with (very) high energy performance standards and their relative certification (Minergie®, GEAK®, 2000-Watt-Areal®) • The extension of existing buildings that comply with high energy performance standards and their relative certification

Key performance indicators

(according to the ICMA principles, those indicators will be published in the annual report)

Category	Description
<p>Green Buildings</p>   	<ul style="list-style-type: none"> • Estimated annual energy consumption (exante) in kWh/m2/a or source energy savings in MWh • Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent
<p>Energy efficiency of existing buildings</p>  	<ul style="list-style-type: none"> • Totally installed capacity in MW • Annual GHG emissions reduction in tons of CO2 equivalent

⁸: Cf. Annex page 12

2.2.3. Management of Proceeds

BCGE's risk department will establish a list to monitor investments in eligible green and social assets. The GSS Bond Committee will track the use of proceeds of its GSS bond(s) issued under this framework during the lifetime of the relevant bonds on a quarterly basis. The net proceeds are managed per bond.

At BCGE, new bonds will only be issued if the total outstanding volume of social, green and/or sustainability loans exceeds the volume of social, green and/or sustainable bonds in issue by at least 10% to ensure compliance with the "Use of Proceeds" under cases of unexpected variations on projects outstanding amount or maturity mismatches. The net proceeds of the GSS Bond(s) issued under this framework will be used to finance and/or refinance selected green and social projects falling under green and social eligible categories described in the section "Use of proceeds" above.

In any case, BCGE commits to allocate the funds during the 12 months following the issue of the bond.

If the volume of outstanding GSS bonds exceeds the total outstanding volume of eligible projects (at any given time), the excess proceeds from green bond issues will be temporarily used as follows:

- Hold the proceeds in cash and/or
- Invest in GSS bonds of other issuers

The following criteria are applied to investments in GSS bonds of other issuers:

- Currency/rank: CHF, EUR or USD/senior unsecured
- Issuer rating: investment grade range
- At least one independent test: second party opinion or green bond rating

Accepted external reviewer:

- Second party opinion: CICERO, ISS Corporate, Sustainalytics, Vigeo EIRIS or DNV GL
- Green bond rating: Moody's or S&P

In the case that any project allocated to any GSS Bond(s) issue will cease to or not comply with the green or social eligible categories, BCGE shall substitute it for a fully compliant project approved by the GSS Bond Committee.

In addition, BCGE excludes existing and future BCGE environmental loans from the collateral pool of covered bond loans ("Prêts sur lettres de gage").

2.2.4. Reporting

Within one year of issuance date of each GSS Bond and annually after the issuance until the relevant maturity date, BCGE will publish on its website a report. The report will include the following information:

- Allocation of proceeds in each GSS eligible category

- If possible a list of green and/or social projects will be disclosed. If this should not be possible, at least other information will be provided in respect to the portfolio of the projects
- The amount of Sustainability Bond net proceeds
- Balance of unallocated net proceeds at each reporting day, if any
- Total Amount of net proceeds allocated to eligible Green and Social Assets per category as defined in the section “Use of proceeds”
- Share of proceeds used for financing or refinancing purposes
- Relevant expected environmental or social impacts per green or social eligible category and, if possible and under best effort basis, actual impact metrics. The ability to report impact metrics associated with investments in Eligible Green Assets will depend on the specifics of any relevant investment management contract, the underlying project financed, and the position of BCGE in the investment chain, as well as the ability of the project developer to provide suitable information and data

3. External review

3.1. Framework verification

BCGE has commissioned ISS-Corporate to provide a Second Party Opinion (SPO) on Sustainability Bond Framework of BCGE. The SPO confirms alignment with the Sustainability Bond Principles published by ICMA and is available on the website of BCGE⁹.

3.2. Bond verification and reporting assurance

BCGE may also appoint an external reviewer to perform a compliance review or similar independent assurance exercise within one year of issuance and annually thereafter until full allocation of any Sustainability Bond. The intent of such review would be to confirm that an amount equal to the Sustainability Bond net proceeds have been allocated in accordance with the Uses of Proceeds as specified in this Framework document.

⁹ : <https://www.bcge.ch/fr/actionnaires-investisseurs> in french
<https://www.bcge.ch/en/actionnaires-investisseurs> in english
<https://www.bcge.ch/de/actionnaires-investisseurs> in german

Annex. Explanations of energy standards

Minergie®

Minergie® is a registered quality label for new and refurbished low-energy-consumption buildings. (Further information on Minergie® is available at minergie.ch)

GEAK®

The cantonal building energy certificate (GEAK®) which is identical throughout Switzerland, assesses the quality of a building's envelope and its overall energy balance, as well as its direct CO₂ emissions. In addition to this assessment, the CEBS Plus provides a report with advice on energy renovation. (Further information on GEAK® is available at geak.ch)

2000-Watt-Areal®

The “2,000-Watt Sites” label certifies residential zones that are able to demonstrate the sustainable use of resources for the construction, operation and renovation of buildings and for the mobility associated with their operation. (Further information on 2000-Watt Areal® is available at 2000watt.ch)