

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF ERG'S GREEN BOND FRAMEWORK

September 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the future Green Bonds² (the “Bonds”) to be issued by ERG (the “Issuer”) in compliance with the Green Bond Framework (the “Framework”) created to govern their issuances.

Our opinion is established according to Vigeo Eiris’ Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) edited in June 2018.

Our opinion is built on the review of the following components:

- 1) **Issuer:** we assessed the Issuer’s ESG performance³, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities⁴.
- 2) **Framework:** we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bonds’ potential contribution to sustainability and its alignment with the four core components of the GBP 2018.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from Vigeo Eiris’ exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held *via* a telecommunications system.

We carried out our due diligence assessment from July 17th to September 1st, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that the Green Bond Framework of ERG is aligned with the four core components of the Green Bond Principles 2018.

We express a reasonable assurance⁵ (our highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Bonds to sustainability.

1) Issuer (see Part I):

- ▶ As of August 2020, ERG displays an overall advanced ESG performance. The Issuer’s managerial approach appears advanced in the Environmental and Governance pillars and good in the Social pillar. Our assurance that the Issuer’s risk factors are adequately managed is reasonable, including reputational, human capital, legal and operational risks.
- ▶ As of today, no stakeholders-related ESG controversy involving ERG was identified over the last 3 years.
- ▶ ERG appears to be involved in one of the 17 controversial activities screened under our methodology, namely: Fossil Fuels industry. The Issuer appears to not be involved in any of the other 16 controversial activities screened under our methodology.

¹ This opinion is to be considered as the “Second Party Opinion” described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association (www.icmagroup.org).

² The “Green Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The Issuer’s ESG performance was assessed in August 2020 by a complete process of rating and benchmark developed by Vigeo Eiris. All potential evolutions and data published after this date are not included in the rating.

⁴ The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

⁵ Definition of Vigeo Eiris’ scales of assessment (as detailed in the Methodology section):

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

2) Issuance (see Part II):

The Issuer has described the main characteristics of the Bonds within a formalized Green Bond Framework which covers the four core components of the GBP 2018 (the last updated version was provided to Vigeo Eiris on August 03rd, 2020). The Issuer has committed to make this document publicly accessible on ERG's website at Bonds' issuance date, in line with good market practices.

We are of the opinion that that the contemplated Green Bonds to be issued in compliance with the Green Bond Framework are coherent with ERG's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and targets.

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under one Green Project Category (the "Eligible Category"), namely Renewable Energy. We consider the Eligible Category clearly defined.
- ▶ The Eligible Category is intended to contribute to one main environmental objective (climate change mitigation). This objective is formalized in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds in the annual reporting. An area for improvement consists in defining ex-ante quantified environmental targets, for the Eligible Category.
- ▶ In addition, the Eligible Green Projects are likely to contribute to one United Nations' Sustainable Development Goals (SDGs), namely SDG 7: Affordable and clean energy.
- ▶ The issuer commits to disclose the estimated refinancing share of any ERG Green Bonds' proceeds and the applicable look back period prior to each issuance.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Green Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection), relevant to the environmental objectives defined for the Eligible category.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Green Projects are considered to be good.

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Green Projects.
- ▶ the selected reporting indicators (allocation and impact) are relevant to the Eligible Green Projects.

ERG has committed that its Green Bonds to be issued in compliance by the Green Bond Framework will be supported with the following external reviews:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Green Bond Framework created to govern future Green Bonds issuances, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website⁶, in September 2020.
- An annual verification: an external verification performed by a third-party auditor, covering the allocation of funds, the compliance in all material aspects, of the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria, annually and until the Bond's full allocation and in case of any material change.

This Second Party Opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the GBP voluntary guidelines (June 2018). ERG acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability

⁶ <https://www.erg.eu/>

regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, September 1st, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed one audit mission for ERG until so far. No established relation (financial or commercial) exists between Vigeo Eiris and the Issuer.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Bonds, 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.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

DETAILED RESULTS

Part I. ISSUER

ERG manages the production of power from wind, solar, water and thermoelectric sources, with production sites across 7 countries in Europe.

Level of ESG performance

The Issuer's ESG performance was assessed through a complete process of rating and benchmark.

As of August 2020, ERG displays an overall advanced ESG performance.

Domain	Comments	Opinion
Environment	<p>ERG performance in the Environment pillar is advanced.</p> <p>The company has formalised a comprehensive environmental protection commitment in its Code of Ethics and Sustainability Policy, covering all ERG plants. The company has allocated comprehensive resources to environmental management including Environmental Management Systems (EMS). Moreover, the majority of ERG's plants are ISO 14001 certified. The Company's carbon factor stood at 396.0 kg CO₂/MWh in 2017, below the sector average.</p>	Advanced
	<p>ERG has set specific targets to develop renewable energy in its 2018 – 2022 Business Plan, namely to increase its installed capacity from renewable sources of 850MW (30% increase of total installed capacity) by 2022. In 2019, the Company's installed capacity in renewable sources corresponded to 84.4% of the Company's total installed capacity well above the sector average. Company's energy generation from renewable sources has increased over the past three years, reaching 68.54% of the total energy generation in 2019.</p>	Good
	<p>ERG has formulated commitments on biodiversity protection, covering the main impacts of its activities. The company has carried out analysis to verify the potential impact of activities on vegetation, flora, fauna and biodiversity and has implemented relevant measures including biodiversity monitoring, bird protection programmes and, for hydropower generation facilities, minimal flow rates to ensure the preservation of the river ecosystem of each water basin.</p>	Limited
	<p>The company has committed to reducing water and soil emissions in its Health, Safety and Environment policy and has implemented comprehensive resources to pollution prevention and control including risk assessments conforming to the EU and national laws, training for relevant employees, audits and risk prevention procedures with emergency management simulations and evacuation drills carried out periodically.</p> <p>Finally, the company discloses a general commitment to improving its thermal power plant⁷ efficiency and reducing related air emissions. In addition, the company has set comprehensive actions including the sourcing of low sulphur fuels and low NO_x combustion technologies. Overall, KPIs record a positive trend.</p>	Weak
Social	<p>ERG performance in the Social pillar is good.</p> <p>The company displays a good performance in the Human and Labour rights domains. ERG has made general commitments to respect and promote Human Rights in a formalised Human Rights Policy issued in December 2018. Additionally, the company has issued formalised commitments to non-discrimination and freedom of association and the right to collective association respectively in its Code of Ethics Sustainability Policy. The commitments apply throughout the company. The company has set comprehensive means to ensure Human and Labour rights respect including a company risk identification process covering Human and Labour rights, training programmes for employees and grievance mechanisms.</p>	Advanced
	<p>ERG performance in the Community involvement domain is limited. The Company, operating only in European countries, reported in its 2016-2018 sustainability targets that it aims to support programmes that make it easier for populations in difficulty to access energy. However, it is unclear if this commitment covers developing countries. However, it is important to note that the company has issued a formalized commitment to promote local social and economic development in its Code of Ethics and Sustainability Policy. The commitment applies throughout the company, supported by senior management. In addition, the CSR Evaluation Committee, selects initiatives coming from the community, based on the values they express and the positive impact expected over time.</p> <p>ERG has allocated significant means to address social and economic development, including social development programmes, infrastructure development programmes, capacity building initiatives and social impact assessments. ERG's compensation for the community has increased over the past three years although not on a continuous way.</p>	Good

⁷ ERG CCGT plant is an high yiled cogenerative plant and this high-yield cogenerative status enables to be entitled to receive Energy Efficiency Certificates (so called White Certificates) on the basis of achieved energy savings.

	<p>ERG's performance in the Human Resources domain is advanced. The company addresses labour relation in its Sustainability Report, its commitment to promote labour relation is general, in line with the Italian regulations. Additionally, the company commits to minimising the number of lay-offs and redundancies and to promote career management and training. Finally, the company has made a formalised commitment to health and safety issues, which covers both its own employees and sub-contracted workforce, in its Code of Ethics and Sustainability Policy. Local employee representative bodies have been set up in all Company's sites. Moreover, there is a company-wide representative body with which the Company negotiates. ERG has signed a collective agreement on working conditions covering all employees working in Italy (93.3% of all ERG employees). Additionally, the company has allocated significant measures to limit the impacts of reorganisations and to enhance employees training and career management including significant financial compensation, internal mobility programme, trainings and career management systems (although covering a minority of employees). Overall, KPIs record a positive trend.</p> <p>ERG performance in terms of Integration of social factors in the supply chain is advanced. The company has issued a formalised commitment to including social factors in supply chain management in its Code of Ethics and in its recent Human right policy. The company has set up comprehensive measures including supplier questionnaire, risk assessments, training and technical assistance to suppliers and non-compliance procedures for suppliers. Moreover, ERG will implement a sustainable clause in its contracts by 2020.</p>	Limited
		Weak
Governance	<p>ERG performance for the governance pillar is advanced.</p> <p>ERG has a comprehensive governance system in place. The company as a Nomination and Remuneration Committee composed by non-executive directors and a majority of independent members. The roles of Chairman and CEO are separated, but the chairman is not considered independent and only five of the 12 Board members are considered independent which is less than the recommended level. A least 30% of the board members are women and Board members have demonstrated professional experience in the company's sector of activities. Board meetings are regularly celebrated and the Board approves the Sustainability report (but there is no evidence that relevant CSR issues are reviewed at Board meetings). The company has set dedicated processes to manage CSR risks. The one share-one vote rule is respected and shareholders vote the appointment of Board members and directors. Even though less than half of the board is independent, ERG has set safeguards to monitor the transactions between major shareholders and the company. In terms of executive remuneration, short-term are linked to predetermined performance indicators and long-term remunerations to performance conditions. However, neither performance indicators nor quantified performance targets are disclosed. We recommend disclosing both performance indicators and the quantified targets for short and long-term remuneration.</p>	Advanced
		Good
		Limited
	<p>ERG has issued formalized and advanced commitments to prevent corruption in its Anti-Corruption Policy, Sustainability Policy, Code of Ethics and the Organisation and Management Models. The company has issued formalized and accessible commitments to prevent anti-competitive practices and ensuring transparency and integrity of lobbying practices in its Code of ethics.</p>	Weak

Management of stakeholder-related ESG controversies

As of today, the review conducted by Vigeo Eiris did not reveal any controversy against ERG over the last 3 years.

Involvement in controversial activities

ERG appears to be involved in one of 17 controversial activities screened under our methodology, namely: Fossil Fuels industry.

- ERG has an estimated turnover from fossil fuels which is 40.9% of total turnover and the CCGT plant economic contribution is approximately 13.7% of the ERG Group EBITDA. Turnover is derived from the generation of electricity from fossil fuels. The Company owns and operates a 480 MW natural gas combined cycle thermoelectric power (CCGT) plant in Syracuse, Sicily, which generated, in 2019, 31.5% of the Company's own generated electricity.

The Issuer appears to not be involved in any of the other 16 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. FRAMEWORK

Coherence between the Issuances and the Issuer

Context note: The Electric & Gas Utilities sector has a major role to play with regard to fight against climate change, through the promotion and development of renewable energy sources. These companies' main challenges are the development of renewable energy, the protection of biodiversity, health and safety and the promotion of sustainable relations with the communities where they operate. Energy companies can contribute to climate change mitigation and energy transition by increasing the share of renewable energy production in their energy mix and by reducing their greenhouse gas (GHG) emissions.

In pursuing that essential goal, the European leaders has set, within the 2030 climate & energy framework, three key targets for the year 2030, namely:

- At least 40% cuts in greenhouse gas emissions (from 1990 levels)
- At least 27% share of renewable energy
- At least 27% improvement in energy efficiency

We are of the opinion that the contemplated Green Bonds to be issued in compliance with the Green Bond Framework are coherent with ERG's strategic sustainability priorities and sector issues, and contribute to achieving the Issuer's sustainability commitments and targets.

ERG appears to acknowledge its responsibility in contributing to the above-mentioned sustainability challenges. In 2018, ERG has undertaken new commitments for the 2018-2022 period in line with its 2018 business plan. These new commitments aim to address climate change mitigation, biodiversity protection and waste management with quantitative targets set at Corporate level including the avoidance, during the business plan period, of 15 Mtons of CO₂, and the reduction of the carbon index of electricity production by 14%.

Additionally in 2019, ERG launched a "sustainable procurement project" focused on the introduction of new pillars to qualify and monitor the main vendors on environmental, health & safety and human rights performances.

By creating a Framework to issue Green Bonds intended to finance or refinance projects related to renewable energy, ERG, the Issuer coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

Use of proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under one Green Project Category (the “Eligible Category”), namely Renewable Energy. We consider the Eligible Category clearly defined.

The Eligible Category is intended to contribute to one main environmental objective (climate change mitigation). This objective is formalized in the Framework and considered clearly defined and relevant.

The Eligible Category is considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds in the annual reporting. An area for improvement consists in defining ex-ante quantified environmental targets, for the Eligible Category.

In addition, the Eligible Green Projects are likely to contribute to one United Nations’ Sustainable Development Goals (SDGs), namely SDG 7: Affordable and clean energy.

The issuer commits to disclose the estimated refinancing share of any ERG Green Bonds’ proceeds and the applicable look back period prior to each issuance.

ERG’s Framework			Vigeo Eiris’ Analysis
Eligible Categories	Definition	Environmental objectives and benefits	
Renewable Energy	Acquisition, construction or operation of renewable power generation facilities that fall under the following eligibility criteria: <ul style="list-style-type: none"> - Wind (onshore and offshore) - Solar (PVP) 	Climate Change Mitigation --- <i>GHG emissions reduction</i>	The definition of the category is clear. The environmental objective is clearly defined and relevant. The environmental benefit is clear, measurable and relevant.

In addition, the Eligible Green Projects are likely to contribute to one United Nations’ Sustainable Development Goals (SDGs), namely SDG 7: Affordable and clean energy.



The UN SDG 7 consists in ensuring universal access to affordable, reliable, sustainable and modern energy, with targets by 2030 on the share of renewable energy in the global energy mix and the promotion of investment in energy infrastructure and clean energy technology.

- *7.2 increase substantially the share of renewable energy in the global energy mix.*

Process for Project Evaluation and Selection

The governance and process for the evaluation and selection of the Eligible Green Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Green Projects is clearly defined.

The evaluation and selection of Eligible Green Projects is based on relevant internal expertise with well-defined roles and responsibilities:

- ERG's ESG Committee, chaired by the Chairman of the Board of Directors, the Executive Deputy Chairman and composed of the Chief Executive Officer and all the top managers, is responsible for the evaluation and selection process:
 - o Review and validate the selection of Eligible Green Projects in accordance with the defined Eligible Category listed by the Use of Proceeds;
 - o Monitor the Eligible Green Project portfolio during the life of the transaction. The Committee can decide to replace an Eligible Green Project if it does no longer meet the eligibility criteria;
 - o Monitor any ESG controversy directly related to an Eligible Green Project. In case of a major ESG controversy, the ESG Committee will analyse it and may decide to exclude the related Eligible Green Project from the Eligible Green Project portfolio;
 - o Managing any future update of the Green Bond Framework.

The verification and traceability are ensured throughout the process:

- The traceability of decisions appears to be ensured throughout the process through meeting minutes for each meeting of the ESG Committee;
- An independent external reviewer will verify the compliance of the Eligible Green Projects selected with the eligibility criteria.

The process relies on explicit eligibility criteria (selection), relevant to the environmental objectives defined for the Eligible category.

- The eligibility requirements are based on the eligibility criteria defined in the Use of Proceeds section of the Framework.

The identification and management of the environmental and social risks associated with the Eligible Green Projects are considered to be good.

ERG acquires facilities in operation or projects under construction and develops greenfield projects. Other projects are on their way to receive the final authorisation and will be developed by ERG. During the construction phase, projects are managed internally by ERG. During the operation phase, plants are managed and operated either internally or externally by ERG's suppliers.

Environmental risks:

- Environmental Impact Assessments (EIA), covering both construction and operation phases, have been conducted for all Eligible Green Projects (both wind and solar power projects). Environmental specific risks are identified, and the relative Management Systems are adopted in each of the power generation facilities categories (solar and wind).
- Environmental Management Systems (EMS) are in place for all the Eligible Green Projects. Solar and Wind power generation facilities located in Italy are ISO 14001 certified. The certification should be extended to facilities located in Germany by the end of 2020.
- In terms of biodiversity, ecological monitoring is conducted for all projects and quantitative indicators are documented as required by the European legislation.
- Accident prevention and control: a management strategy covering accident prevention and control is implemented at company level including a maintenance process, specific certifications or risk assessment activities. Additionally, at project level, each site has its own risk assessment and emergency plans and specific procedures in case of fire, floods or other accidents. Technicians receive dedicated trainings as regards accident prevention and control.

- Fight against climate change and management of GHG emissions: the ERG Group's renewable energy plants do not generate direct emissions. As regards indirect emissions, wind plants use a small amount of electricity that will be supplied with certified green energy.
- The company has set up dedicated measures for managing end-of-life of equipment and infrastructures of the projects, including dismantling, waste management, clean up and biodiversity rehabilitation of the sites.

Social risks:

- Respect of Human and labour rights: ERG adopted a new Human rights policy applying to all collaborators, either as suppliers, contractors or business partners. An internal whistleblowing system has been set up for receiving and addressing Human and labour rights violations issues. Moreover, at project level, the ESG Committee will be monitoring any controversies directly related to any of the Eligible Green Projects, including human and labour rights controversies.
- Health & Safety: a specific risk management on HSE matters is in place in all the Group's companies relying on integrated HSE management systems compliant with the ISO 14001 (Environment) and OHSAS 18001 (Health and Safety) standards. At project level, the Operating Units are in charge of implementing the HSE operational rules with the support of the HSE unit, co-ordinated at central level.
- Integration of social factors in the supply chain: the selection of suppliers relies on the Corporate Purchasing procedures and tools which are developed at central level. Suppliers are qualified based on HSE principles and on-site HSE audits including CSR topics are regularly performed for construction works. In 2019, a new program has been reported to be implemented by the company in order to further improve the management of suppliers regarding social issues. ERG reported that the selection of its strategic suppliers was based, among other things, on their ESG performance as assessed by a third-party ESG rating company.
- Local social and economic development and local consultation: Social Impact Assessments (SIA), covering both construction and operation phases, have been conducted for all Eligible Green Projects. The plants / regional managers are in charge of communities relations, in order to detect possible impacts of the projects on the community and to carry out mitigation works although no formalized grievance mechanisms are in place at projects level. Moreover, during the operation phase, the ESG Committee will monitor any controversies directly related to an Eligible Green Project including controversies that may impact local communities.

Management of proceeds

The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are clearly defined:

- An amount equal to the net proceeds of the Bonds will be used to (re)finance the Eligible Green Projects and will be managed by ERG's treasury department, on a portfolio basis;
 - The complete allocation of the Bonds' proceeds is expected within 24 months from the issuance date, in line with best market practices;
 - In case the Eligible Green Project portfolio is smaller than the Bonds' net proceeds outstanding, ERG has committed to fill the gap and load the Eligible Green Project Portfolio with new Eligible Green Projects soon as possible;
 - The unallocated proceeds will be invested in cash or cash equivalent in accordance with ERG's usual treasury investment strategy and will not finance GHG intensive activities, controversial activities, or activities facing material ESG issues.
- In case of projects postponement, cancelation, divestment or, the Issuer has committed to replace the no longer Eligible Green Project by a new Eligible Green Project.

Traceability and verification of both the tracking method and allocation of the proceeds, are ensured throughout the process :

- ERG's treasury department is responsible for verifying that the Bonds' net proceeds match the Green Portfolio until the Bonds' maturity date.
- The proceeds will be appropriately managed and tracked by ERG's treasury department using an internal accounting system. The ESG Committee will track and monitor the net proceeds allocation and management.
- An external auditor will review, on an annual basis, the compliance of the selected Green Portfolio of projects, with the eligibility criteria defined in the Framework.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Green Projects.

The process for monitoring, data collection, consolidation and reporting is clearly defined by the Issuer in the Framework and in its internal documentation. The process is based on relevant internal expertise:

- ERG ESG Committee will be responsible for collecting the reporting indicators related to the funds allocation.
- ERG ESG Committee will be responsible for the monitoring of the environmental impacts of the Eligible Green Projects.
- ERG ESG Committee will be responsible for the approval of the Bonds' post-issuance reports (allocation and impacts reports).
- ERG Board will approve the Bonds' post-issuance reports.

ERG has committed that the impact reports of the Bonds will be integrated into the ERG non-financial reporting and / or will be publicly available on the company's website. ERG has committed to annually and transparently communicate at portfolio level and until full allocation, on:

- The allocation of proceeds: the selected reporting indicators related to the funds allocation are relevant to the Eligible Green Projects:

Reporting indicators
<ul style="list-style-type: none"> - The list of outstanding ERG Green Bonds - The amount of net proceeds allocated per Eligible Green Project Category - The percentage of refinancing in existing projects - Location and status of the projects - The amount of unallocated proceeds, if any, at the date of reporting - The Eligible Green Project Portfolio breakdown per Eligible Green Project Category, location and status of the projects - the average life of the projects or portfolio which green bond proceeds have been allocated to.

- Environmental benefits: the selected reporting indicators are relevant to the Eligible Green Projects.

Eligible Categories	Eligibility criteria	Output indicators	Impact indicators
Renewable Energy	Solar	Installed renewable energy capacity (in MW)	Estimated annual t.CO ₂ eq emissions avoided (in tons per year)
	Wind	Produced Green Energy (in MWh per year)	

The Issuer has disclosed the calculation methodologies⁸ and assumptions that will be used for reporting on the Eligible Green Projects' environmental benefits in the Framework.

The Issuer will appoint an external auditor to verify on an annual basis, and until full allocation, the bonds proceeds allocation as well as the compliance of the selected Eligible Green Project and reporting metrics, with the Green Bond Framework in line with Best market practices.

The Issuer commits to report at least for the investors, in case of material developments relating to the Bonds and to the Eligible Green Projects, including in case of ESG controversies or project modification.

⁸ The indirect emissions are calculated on the basis of the conversion factors relating to the gross thermoelectric production of each country published by Terna on its website: <http://www.terna.it/en-gb/sistemaelettrico/statisticheprevisioni.aspx>

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

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 Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

Part I. ISSUER

NB: The Issuer's level of ESG performance (i.e. commitments, processes, results of the Issuer related to ESG issues), has been assessed through a complete process of rating and benchmarking developed by Vigeo Eiris.

Level of the Issuer's ESG performance

ERG's ESG 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).
- Results: indicators, stakeholders' feedbacks and controversies.

Management of stakeholder-related ESG controversies

A controversy is an 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 based on unproven facts.

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 is considered as long as it is public, documented and traceable.

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

- 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).
- 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).

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.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

Part II. FRAMEWORK

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Green Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Green Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Green Projects. The identification and management of the ESG risks associated with the Eligible Green Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

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

Reporting

Monitoring process and commitments, Reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Green Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

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 is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com

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