

SECOND PARTY OPINION¹ ON THE SUSTAINABILITY OF ERG'S GREEN BOND²

March 21st, 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Bond (the "Bond") proposed to be issued by ERG S.p.A. (the "Issuer"), to (re)finance, in part or in full, new or/and existing renewable power generation facilities (Solar and Wind). Our opinion is established according to our Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the International Capital Market Association's Green Bond Principles ("GBP").

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

- 1) **Issuer:** we have assessed the Issuer's ESG performance³, and its involvement in potential ESG controversies and controversial activities⁴.
- 2) **Issuance:** we have assessed the consistency of the Bond's use of proceeds, its contribution to sustainability and its alignment with the Green Bond Principles.

Our sources of information are multichannel, combining data from our general ESG rating database, information provided by the Issuer, press content providers and stakeholders, and completed by interviews with the Issuer's employees. We carried out our due diligence assessment from December 20th, 2018 to March 21st, 2019.

We were provided with access to all the appropriate documents and people we solicited. We consider that the information provided enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris is of the opinion that the Bond considered to be issued by ERG is aligned with the voluntary guidelines of the 2018 Green Bond Principles.

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

In addition, the Eligible Green Projects are likely to contribute to one United Nations' Sustainable Development Goal (SDGs), namely Goal 7: Affordable Clean Energy.

1) Issuer:

- ▶ ERG displays an overall advanced ESG performance. The company's performance appears advanced in the Environmental and the Governance pillars and good in the Social pillar.
- ▶ As of today, no controversy related to ESG factors was identified for ERG.
- ▶ ERG has a minor involvement in one controversial activity, namely fossil fuels industry. The Issuer is not significantly involved in any of the other 14 controversial activities screened under our methodology³.

¹ This opinion is to be considered as the "Second Party Opinion" described by the International Capital Market Association (www.icmagroup.org) and the EMEA Loan Market Association and the Asia Pacific Loan Market Association www.lma.eu.com and www.aplma.com.

² The "Bond" is to be considered as the potential forthcoming bond, which issuance is subject to the Issuer discretion.

³ ERG's ESG performance was assessed in December 2018 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 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, 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 of this document):

Level of Evaluation: Advanced, Good, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

2) Issuance:

The Issuer has described the main characteristics of its Bond within its Framework. The Issuer has committed to make the Framework publicly accessible on its website⁶, in line with good market practices.

We are of the opinion that the Bond is coherent with ERG strategic sustainability priorities and sector issues, and contributes to achieving ERG sustainability commitments.

- ▶ The net proceeds of the Bond Issuance will be used to finance and/or refinance, in whole or in part, new and/or existing renewable energy projects under development, construction and/or in operation (the "Eligible Green Projects"), which are intended to contribute to one environmental objective, namely climate change mitigation.

The Eligible Green Projects' objective is precise, measurable and relevant.

The expected environmental benefits to climate change mitigation associated with the Eligible Projects will be assessed and quantified.

- ▶ The governance and the process for the evaluation and selection of Eligible Green Projects are documented and relevant. The process relies on explicit eligibility criteria.

The process relies on explicit eligibility criteria (selection) with regards to the environmental objective.

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

- ▶ The rules for the management of proceeds are clearly defined.
- ▶ The reporting process and commitments appear to be good, covering both the funds allocation (allocation report) and the environmental benefits of the Eligible Green Projects (impact report). The Issuer has committed to annually and transparently report at Bond portfolio level by Eligible Green Project Category, until full allocation.

The issuer has committed that ERG's Green Bond issuance is supported by external reviews:

- A pre-issuance consultant review: Second Party Opinion delivered by Vigeo Eiris on the sustainability credentials of the Bond, based on pre-issuance commitments and covering all features of the Bond, in line with the four core components of the Green Bond Principles.
- An annual verification: An external verification performed by an independent (third party audit), covering the allocation of the proceeds from the Bond, as well as a verification of the reporting covering the outputs and impacts of the funded Eligible Green Projects until full allocation.

The validity of this Second Party Opinion is for 12 months as of its date here below. It is limited to ERG first Green Bond.

Paris, March 21st, 2019



Julien SOURIAU
Project Manager
Senior Sustainability Consultant



Amaya LONDON
Sustainability Consultant

⁶ <https://www.erg.eu/en/home>

DETAILED RESULTS

Part I. ISSUER

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

Level of ESG performance

ERG displays an overall advanced ESG performance.

Domain	Comments	Opinion
Environment	ERG performance in the Environment pillar is advanced. 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' plants are ISO 14001 certified. The Company's carbon factor stood at 157 kg CO ₂ /MWh in 2017, below the sector average.	Advanced
	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 2017, the Company's installed capacity in renewable sources corresponded to 83% of the Company's total installed capacity well above the sector average. Company's energy generation from renewable sources has increased continuously over the past three years by 30%, reaching 66% of the total energy generation in 2017.	Good
	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.	Limited
	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. Finally, the company discloses a general commitment to improving its thermal power plant ⁷ 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.	Weak
Social	ERG performance in the Social pillar is good. 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.	Advanced
	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. ERG has allocated significant means to address social and economic development, including social development programmes, infrastructure development	Good
		Limited

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>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> <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>	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> <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>	Advanced
		Good
		Limited
		Weak

Involvement in stakeholder-related ESG controversies

As of March 21st, 2019, no controversy related to ESG factors was identified for ERG.

Involvement in controversial activities

ERG has a minor involvement in one controversial activity screened under our methodology, namely: fossil fuels industry.

- ERG has an estimated turnover from fossil fuels which is 39.4% of total turnover and the CCGT plant economic contribution is approximately 11% 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 2018, 29% of the Company's own generated electricity.

The Issuer is not significantly involved in any of the other 14 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

Nota Bene: the controversial activities research provides screening on 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. ISSUANCE

Coherence of the issuance

We are of the opinion that the contemplated Bond is coherent with ERG's main strategic priorities and sectorial issues, and contributes to achieving its environmental commitments.

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 for renewable energy
- At least 27% improvement in energy efficiency

ERG seems 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 ERG 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, the reduction of the carbon index of electricity production by 14%.

By issuing a Bond to finance and/or refinance renewable power generation facilities (Solar and Wind), ERG coherently aligns with its strategy and commitments to fight against climate change through promoting renewable energies, as well as it addresses the major issues of the electric & gas utility sector in terms of environmental responsibility.

Use of proceeds

The net proceeds of the Bond Issuance will be used to finance and/or refinance, in whole or in part, new and/or existing renewable energy projects under development, construction and/or operation (the "Eligible Green Projects"), which are intended to contribute to one environmental objective, namely climate change mitigation.

The eligible green projects' objective is precise, measurable and relevant.

The Issuer will assess and quantify the expected environmental benefit associated with the Bond.

The net proceeds of the Bond will be used to finance and/or refinance Eligible Green Projects related to renewable energy production located in Europe. Eligible Green Projects consist of two Eligible power generation facilities categories namely:

- Wind: Wind farms projects already in Group portfolio or to be acquired during the next 24 months and located in different European countries (e.g. Italy, France, Germany, Poland and United Kingdom).
- Solar: Solar power plants already in Group portfolio or to be acquired during the next 24 months, operating in Italy or in other European countries.

ERG environmental objective, namely climate change mitigation, is precise, measurable and relevant with regards to sustainable development challenges, in line with the EU key targets of the 2030 climate and energy framework and the company's new sustainable commitments for the 2018-2022 period.

The expected environmental benefits to climate change mitigation will be assessed and quantified by the issuer.

The list of eligible green project already in ERG's portfolio with their associated quantified environmental targets has been transparently presented to Vigeo Eiris. The definition of the Eligible Green Projects is clear, and the eligible criteria associated are relevant with regards to the climate change mitigation objective.

The Issuer states that the estimated refinancing share could be up to 100% of the total proceeds.

Different refinancing periods have been set for the projects, with per Eligible criteria by the Issuer in the Framework:

- Solar: Projects with commercial operation date or acquisition date, at the time of issuance, not older than 24 months prior to the issuance of Green Bond.
- Wind: Projects with commercial operation date or acquisition date, at the time of issuance, not older than 36 months prior to the issuance of Green Bond and for ERG inaugural Bond not prior than February 2016

A large majority of projects' operation or acquisition dates are within 24 months before the Bond issuance date. For the remaining, the operation date or the acquisition date is within 36 months before the Bond issuance and for two projects the commercial operation date or acquisition date is dated February 2016. We have suggested limiting the refinancing period within 36 months before the Bond issuance.

In addition, the Eligible Green Projects are likely to contribute to one United Nations' Sustainable Development Goals (SDGs), namely Goal 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 evaluation and selection

The governance and the process for the evaluation and selection of Eligible Green Projects appear to be documented and relevant.

The process for evaluation and selection of Eligible Green Projects is clearly defined and formalized in a Framework.

The evaluation and selection of Eligible Green Projects is reasonably structured.

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

- A Sustainability 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.

The verification and traceability are ensured throughout the process:

- The Sustainability committee is responsible for:
 - Review and validate the selection of Eligible Green Project in accordance with the defined Eligible Categories listed by the Use of Proceeds.
 - 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.
 - Monitor any ESG controversy directly related to an Eligible Green Project.
- The verification and traceability appear to be ensured throughout the process through meeting minutes for each meeting of the Sustainability 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) with regards to the environmental objective.

- 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 or develops greenfield projects. Other projects are on the 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 either managed and operated internally or externally by ERG's suppliers as follows:

- Wind power generation facilities: one third of the wind farms located in France (approx. 100 MW as per installed capacity) and half of those located in Germany (approx. 120 MW as per installed capacity) are operated and managed internally, while the remaining is carried out by turbine suppliers. All the wind farms located in Italy are managed and operated internally.
- Solar power generation facilities: solar plants located in Italy are either managed and operated internally or externally.

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 adopted in each of the power generation facilities categories.
- Environmental Management Systems (EMS) are in place for all the Eligible Green Projects. Some of the solar power generation facilities are ISO 14001 certified.

By the end of 2020, French and German wind power facilities will be ISO 14001 certified. Finally, Polish wind power generation facilities, managed and operated by ERG's supplier are operated according to an integrated management system. Further projects, located in the UK, will be operated according to an integrated management system and will be ISO 14001 certified by 2021.

- In terms of biodiversity, ecological monitoring is conducted for some projects and quantitative indicators are documented.
- Accident prevention and control: A management strategy covering accident prevention and control is implemented at company level including implementation maintenance process, specific certifications or risk assessment activities. Additionally, at projects 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 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 regarding Human and labour rights violations issues. Moreover, at project level, the Sustainability 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 Group 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. Moreover, a project to add sustainable clauses in the suppliers' selection is in place and will be implemented within 2020.
- 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 Sustainability 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.

- The allocation and tracking processes are clearly defined. The net proceeds of the Bond will be managed as follows:
 - Refinancing projects under development/ construction or in operation: the net proceeds of the Bond won't be credited to a dedicated account but tracked in an appropriate manner by ERG's treasury department. ERG is committed to performing an external assurance of the already invested capital in order to assure the correct use of proceeds.
 - Financing of future projects: Unallocated proceeds will be invested in cash or cash equivalent by the treasury department. The Issuer intends to allocate the Bond's proceeds within 24 months after the issuance, in line with good market practices.
- In case of project postponement, divestment or if a project fails to comply with the eligibility criteria, the Sustainability Committee will reallocate the funds to other eligible projects.
- In addition, an independent party will verify the allocation of funds on an annual basis until the full allocation of the net proceeds into Eligible Green Projects.

Monitoring & Reporting

The reporting process and commitments appear to be good, covering both the funds allocation (allocation report) and the environmental benefits of the Eligible Green Projects (impact report). The Issuer has committed to annually and transparently report at Bond portfolio level by Eligible Green Project Category until full allocation.

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 Sustainability Department will be responsible for collecting the reporting indicators related to the funds allocation.
- ERG Sustainability Committee will be responsible for the monitoring of the social and environmental impacts of the Eligible Green Projects.
- ERG Sustainability Committee will be responsible for the creation of the Bond's post-issuance reports (allocation and impacts reports).

- ERG Board will approve the Bond's post-issuance reports.

ERG has committed that the impact reports of the Bond 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 of the net proceeds of each Green Bond into Eligible Green Projects, 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 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

- Environmental benefits: ERG commits to report on all the environmental benefits expected to be achieved by the Bond, based on the reporting indicators listed in the Framework.

Eligible Green Project Category	Eligible 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 selected reporting indicators related to the funds allocation and the environmental benefits of the Project are relevant to the Selected Projects.

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

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/statisticheeprevisions.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 objectives, management and reporting of the projects to be financed by this transaction.

Vigeo Eiris' methodology for the definition and assessment of the corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on our generic Electric and Gas Utilities ESG assessment frameworks and specific issues considering the Issuer's business activity.

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 they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of the Issuer (including but not limited to ERG's Sustainability Finance Framework, Environmental Policy and Water Resources Management plan, questionnaires regarding the issuance, etc.) and interviewed employees from several departments of the Issuer.

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

Part I. ISSUER

NB: The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating.

Level of the Issuer's ESG performance

The Issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on relevant ESG drivers organized in the 6 sustainability domains. ERG's performance has been assessed by Vigeo Eiris on the basis of its:

- Leadership: relevance of the commitments (content, visibility and ownership).
 - Implementation: coherence of the implementation (process, means, control/reporting).
 - Results: indicators, stakeholders' feedbacks and controversies.
- Scale for assessment of ESG performance: Advanced, Good, Limited, Weak.

Involvement in 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 on unproven facts.

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

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

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

Involvement in controversial activities

15 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 precise nature of the controversial products or services provided by the company.

Part II. ISSUANCE

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

Use of proceeds

The use of proceeds guidelines is defined to ensure that the funds raised are used to finance and/or refinance Eligible Projects and are traceable within the issuing organization. The projects endorsed shall comply with the eligibility criteria in order to be considered as Eligible Projects. Vigeo Eiris evaluates the relevance, measurability and preciseness of the associated environmental and/or social objectives. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for evaluation and selection

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

Management of proceeds

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

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of Eligible Projects (re)financed by the Bond proceeds, collected at project level and potentially aggregated at Bond and/or asset level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

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

VIGEO EIRIS' ASSESSMENT SCALES

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



Vigeo Eiris 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:

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