

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF NEOEN'S GREEN BOND FRAMEWORK

May 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 Green Bonds² (the “Bonds”) to be issued by Neoen (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, to the latest version of the ICMA’s Green Bond Principles (“GBP”) voluntary guidelines, edited in June 2018 and to the key recommendations from the TEG Proposal for an EU Green Bond Standard (June 2019) and the TEG Final Report on the EU Taxonomy (March 2020).

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) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability, its alignment with the four core components of the GBP 2018 and that it follows the key recommendations from the TEG Proposal for an EU Green Bond Standard (June 2019) and the TEG Final Report on the EU Taxonomy (March 2020).

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.

We carried out our due diligence assessment from May 5th to May 25th, 2020. We consider that we were provided with access to all the appropriate documents 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 Neoen is aligned with the four core components of the GBP 2018 and that it follows the key recommendations from the TEG Proposal for an EU Green Bond Standard (June 2019) and the TEG Final Report on the EU Taxonomy (March 2020).

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 April 2020, Neoen displays an overall good ESG performance, ranking 16th in our “Electric and Gas Utilities” sector which covers 66 companies. The Issuer’s managerial approach appears advanced in the Environmental pillar and good in the Social and Governance pillars.
- ▶ As of today, Neoen is facing one controversy related to the Business Behaviour domain (on the criteria Responsible Customer Relations). The frequency of the controversy is considered isolated. The severity of its impact on both the company and its stakeholders is considered significant. Neoen is considered overall reactive. The Issuer reports in a detailed way on its position on the case in its Universal Registration Document 2019 (p.100).

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 April 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, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, 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.

- ▶ The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology.

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 May 20th, 2020). The Issuer has committed to make this document publicly accessible on Neoen's website⁶ at the first issuance date, in line with good market practices.

We are of the opinion that the Green Bond Framework is coherent with Neoen's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and target.

Use of Proceeds

- ▶ The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under two Green Project Categories ("Eligible Categories"), namely: Renewable Energy and Energy Storage. We consider the Eligible Categories to be clearly defined and that they follow the Technical Screening Criteria of the TEG Final report on the EU Taxonomy (March 2020).
- ▶ The Eligible Categories are intended to contribute to one environmental objective, namely climate change mitigation. This objective is formalised in the Framework and considered clearly defined and relevant.
- ▶ The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds. An area for improvement consists in defining ex-ante quantified environmental targets for each Bond at issuance.
- ▶ In addition, the Eligible Categories are likely to contribute to two of the United Nations Sustainable Development Goals ("SDGs"), namely: Goal 7. Affordable and Clean Energy and Goal 13. Climate action.
- ▶ The Issuer has transparently communicated on the estimated share of refinancing for its first issuance, which will be less than 50%. The Issuer commits to (i) communicate on the estimated share of refinancing before each Bond issuance and (ii) that in case of re-financing, a look-back period of maximum 24 months from the Bond's issuance date will be applied, in line with good market practices.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of the Eligible Projects are formalised in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives defined for the Eligible Categories.
- ▶ The identification and management of the environmental and social risks associated with the Eligible Projects are considered good and appear to follow the "Do-not-significant-harm" principle and minimum social safeguards recommended by the TEG Final Report on the EU Taxonomy (March 2020).

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and the allocation of proceeds 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 Categories.

⁶ <https://www.neoen.com/fr>

Neoen has committed that its Green Bonds will be supported by external reviews:

- **A pre-issuance consultant review:** the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website, at the date of its first issuance.
- **An annual verification:** an external verification performed by a third-party auditor, covering the allocation of funds, the compliance in all material aspects, of (i) the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria and (ii) the impact reporting, annually and until the Bonds' 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, to the GBP voluntary guidelines (June 2018) and to the key recommendations from the TEG Proposal for an EU Green Bond Standard (June 2019) and the TEG Final Report on the EU Taxonomy (March 2020). Neoen acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, May 25th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 3 audit missions for Neoen (2017, 2018 and 2019) and until so far. No established relationship (financial or others) exists between Vigeo Eiris and Neoen.

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

Neoen is a french independent producer of renewable energy whose activities focus on the development and operation of solar power plants, on-shore wind farms and storage. The Issuer's total capacity in operation and under construction is currently over 3 GW. Neoen operates in fourteen countries including France, Australia, El Salvador, Mexico, Jamaica and Zambia. Additionally, Neoen operates France's largest solar farm in Cestas, and the world's largest lithium-ion battery energy storage system in Hornsdale, Australia.

Level of ESG performance

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

As of April 2020, Neoen displays an overall good ESG performance, ranking 16th in our "Electric and Gas Utilities" sector which covers 66 companies. The Issuer's managerial approach appears advanced in the Environmental pillar and good in the Social and Governance pillars.

Domain	Comments	Opinion
Environment	<p>Neoen's performance in the Environment pillar is advanced.</p> <p>The Issuer has issued a formalised commitment to environmental protection in its Code of Conduct and in its Health, Safety and Environment Plan. However, these documents are not publicly disclosed. In addition, Neoen discloses an environmental target: to have more than 5 GW renewable capacity in operation or under construction by the end of 2021.</p>	Advanced
	<p>The Issuer's commitment to environmental issues and climate change is supported by the fact that its total power generation comes from renewables. Moreover, significant resources to environmental management including environmental manuals specifying procedures and responsibilities and external verification of reporting appear to be in place.</p>	Good
	<p>Vegetation management programmes, biotope management plans and restoration have been implemented to protect biodiversity throughout its global operations. Lastly, the Issuer's commitments consider accidental pollution prevention during its operations with comprehensive resources allocated such as risk assessments, identification studies and the implementation of risk prevention procedures.</p>	Limited
	<p>The company reports that it works with ISO 14001 certified subcontractors: construction companies to build its production units, and maintenance companies to carry out corrective and preventive maintenance activities on its sites. However, the share of its operations workforce covered by a certified environmental management system (EMS) is not clear.</p>	Weak
Social	<p>Neoen's performance in the Social pillar is good.</p> <p>Neoen's performance in the Human Rights domain is limited. Neoen reports to constantly monitor labour right risks for projects under construction in all of its operations. In addition, maternity and paternity pay seem to be allocated to prevent discrimination. However, affirmative action programmes or flexitime initiatives do not appear to be in place. Moreover, the share of women in management positions increased, but not continuously, between 2017 and 2019.</p>	Advanced
	<p>Neoen's performance in the Human Resources domain is limited. Neoen has allocated some measures to address health and safety issue such as training, internal monitoring, and internal audits in the majority of its operations. In terms of labour relations, a majority of the employees was covered by a collective agreement on working conditions in 2019. However, the number of training hours per employee decreased by 59% between 2017 and 2019. Finally, information on how the Company prevents and manages reorganisations is not disclosed.</p>	Good
	<p>Neoen's performance in the Community Involvement domain is good. Neoen has allocated significant measures to address social and economic development such as social development, capacity building and infrastructure development programmes, as well as social impact assessments in a majority of its operations. Neoen partners with local NGOs in countries such as Madagascar and Nepal to promote access to energy. Finally, the Company reports transparently on taxes paid in countries where it operates.</p>	Limited
	<p>Neoen's performance regarding the Integration of Social Factors in the Supply Chain is advanced. The Issuer has issued a formalised commitment to including social factors in supply chain management in its Health, Safety and Environment Plan. However, this document is not publicly disclosed. Neoen reports to uniformly insert social rights clauses in its contracts and enjoins suppliers to respect the local labour law.</p> <p>If any doubt regarding the respect of these clauses shall arise, the company undertakes rigorous social audits of its suppliers. Of note, social audits are not undertaken by the company. Dedicated on-site social audits are systematically undertaken for projects developed in non-OECD countries once the construction is started.</p>	Weak

Governance	<p>Neoen's performance in the Governance pillar is good.</p> <p>The Issuer's Corporate Governance performance is good. The roles of Chairman and CEO are combined, but a lead non-executive director considered independent has been designated. Only 29% of board members are considered to be independent. The Issuer's audit committee is reported to have a comprehensive role. CSR risks appear to be covered by the internal control system such as health and safety, anti-competitive practices and corruption. The Issuer reports to respect the majority of shareholders' rights. The Issuer discloses the rules guiding the allocation of its short-term incentives. Additionally, Neoen reports that the CEO's variable compensation is linked to the company's performing on CSR objectives and is partially determined by the quality of the company's rating by Vigeo Eiris. However, there is no remuneration reportedly linked to long term incentive plans and the performance of the company.</p> <p>On Business Ethics, the Issuer has issued a formalised commitment to prevent anti-competitive practices and corruption in its Code of Conduct. However, the document is not publicly disclosed. Neoen's commitment to preventing corruption is supported by risk assessments, external audits, and a confidential reporting system. Additionally, the Issuer reported to provide training on the specific topic of corruption to its employees, contractors and suppliers. However, internal or external audits to prevent anti-competitive practices do not seem to be conducted and no information is disclosed to ensure lobbying transparency.</p>	Advanced
		Good
		Limited
		Weak

Management of stakeholder-related ESG controversies

As of today, Neoen is facing one stakeholder-related ESG controversy, linked to one of the six domains we analyse:

- Business Behaviour, in the criteria of "Responsible Customer Relations". This sustainability driver was not evaluated in Neoen's ESG assessment due to the fact that Neoen is not involved in any transmission or distribution activity with end-users. However, Neoen is responsible and responds to a lawsuit against one of its subsidiaries in Australia over breaches of the National Electricity Rules.

Frequency: The controversy is considered isolated, in line with the sector average.

Severity: The severity of its impact on both the company and its stakeholders is considered significant, in line with the sector average.

Responsiveness: Neoen is overall reactive, in line with the sector average. The Issuer reports in a detailed way on its position on the case in its Universal Registration Document 2019 (p.100).

Involvement in controversial activities

The Issuer appear to be not involved in any of the 17 controversial activities screened under our methodology, namely: 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.

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. ISSUANCE

Coherence between the Issuance and the Issuer

Context note:

The Electric & Gas Utilities sector has a major role to play in the fight against climate change and the protection of the environment. Energy companies can contribute to climate change mitigation and energy transition by increasing the development of renewable energy production, reducing their greenhouse gas (GHG) emissions and improving energy efficiency throughout their operations. In addition, the complexity and specificities of impacts related to their activities call for specific measures to ensure the appropriate management of social and environmental related risks, namely biodiversity protection, environmental management systems, health and safety and the promotion of responsible relations with the communities where they operate.

We are of the opinion that the Green Bond Framework is coherent with Neoen's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and target.

As a pure player in the energy sector, Neoen seems to acknowledge its responsibility in contributing to climate change mitigation and the protection of the environment:

- Neoen's strategy focuses on the development, construction and operation of renewable energy projects (solar power, wind power and storage), with the objective to have a positive impact on the environment, employees and external stakeholders. The company has set clear environmental and social objectives that include the reduction of human induced greenhouse gas emissions that contribute to climate change, and the efficient use of natural resources.
- Neoen's strategic orientation aims to increase its development of solar and wind power production and therefore to align with the dynamic of the renewable energy market. In particular, Neoen targets to have more than 5GW of renewable capacity in operation or under construction by the end of 2021. In terms of storage, Neoen developed a partnership with Tesla, and has been operating the largest lithium-ion battery storage unit in the world in Australia (Hornsedale Power Reserve) since 2017.
- During 2019, Neoen avoided 1,299,723 tonnes of CO₂ emissions, according to its own calculations, based on the strict application of the methodology project proposed by the European Investment Bank (EIB).

By creating a Framework to issue Green Bonds intended to finance or refinance the development and operation of projects related to renewable energy and energy storage, Neoen coherently aligns with its commitments to climate change mitigation and addresses the main sustainability issues of the sector in terms of environmental responsibility.

Use of proceeds

The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under two Green Project Categories (“Eligible Categories”), namely: Renewable Energy and Energy Storage. We consider the Eligible Categories to be clearly defined and that they follow the Technical Screening Criteria of the TEG Final report on the EU Taxonomy (March 2020).

The Eligible Categories are intended to contribute to one environmental objective, namely climate change mitigation. This objective is formalised in the Framework and considered clearly defined and relevant.

The Eligible Categories are considered to provide clear environmental benefits. The Issuer has committed to assess and, where feasible, quantify the expected environmental benefits of the Bonds. An area for improvement consists in defining ex-ante quantified environmental targets for each Bond at issuance.

The Issuer has transparently communicated on the estimated share of refinancing for its first issuance, which will be less than 50%. The Issuer commits to (i) communicate on the estimated share of refinancing before each Bond issuance and (ii) that in case of re-financing, a look-back period of maximum 24 months from the Bond’s issuance date will be applied, in line with good market practices.

This Issuer reports that all projects will be located in Europe and Australia.

Eligible Projects may include physical assets such as energy production sites and storage facilities, as well as CAPEX and OPEX related to those assets.

Neoen's Framework			Vigeo Eiris' Analysis
Eligible Category	Definition and Eligibility criteria	Environmental objective and benefits	
Renewable Energy	<p>Energy production: Construction and operation of electricity generation facilities that produce electricity from:</p> <ul style="list-style-type: none"> • Solar (Photovoltaic); • Wind Power. <p>Eligibility criteria: Facilities operating at life cycle emissions lower than 100g CO_{2e} /kWh declining to 0g CO_{2e} /kWh by 2050:</p> <ul style="list-style-type: none"> • This threshold will be reduced every 5 years in line with a net-zero CO_{2e} in 2050 trajectory; • Assets and activities must meet the threshold at the point in time when taxonomy approval is sought; • For activities which go beyond 2050, it must be technically feasible to reach net-zero emissions. 	<p>Climate change mitigation</p> <p>---</p> <p><i>GHG emissions avoided</i></p> <p><i>Increase of renewable energy installed capacity and generation</i></p>	<p>We consider that the definition of the Eligible Category is clear.</p> <p>The environmental objective is considered clearly defined and relevant.</p> <p>The expected environmental benefits are clear, relevant and measurable.</p>
Energy Storage	<p>Storage activities⁷: Construction and operation of facilities that store electricity and return it later in time, providing services to the network.</p>	<p>Climate change mitigation</p> <p>---</p> <p><i>Increase of energy storage capacity</i></p>	<p>We consider that the definition of the Eligible Category is clear.</p> <p>The environmental objective is considered clearly defined and relevant.</p> <p>The expected environmental benefit is clear, relevant and measurable.</p>

⁷ Storage activities ("Electricity Storage") are defined according to article 2.59 of the recast Electricity Directive. Hydropower pumped storage should comply to specific criteria as set by the EU Taxonomy, March 2020, section 4.10.

In addition, the Eligible Categories are likely to contribute to two of the United Nations Sustainable Development Goals (“SDGs”), namely: Goal 7. Affordable and Clean Energy and Goal 13. Climate action.



7 Affordable and Clean Energy

Contribution to SDG 7. Affordable and Clean Energy

UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all. More precisely, SDG 7 targets by 2030 include:

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



13 Climate Action

Contribution to SDG 13. Climate Action

UN SDG 13 consists in taking urgent action to combat climate change and its impacts.

Energy renewable companies can contribute to this goal by supporting the transition to net-zero carbon energy, and by developing and sharing scalable systems to improve the efficiency and sustainability of production across the value chain.

Process for Project Evaluation and Selection

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

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

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

- For the purpose of the Bonds, a Green Bond Committee (the “Committee”) has been created. This Committee is composed of representatives of the business, legal, finance, and CSR departments:
 - Neoen’s Chairman and Chief Executive Officer – CEO;
 - Executive Committee: Deputy CEO, Chief Financial Officer, Chief Operating Officer and General Counsel;
 - Representative of the Corporate Social Responsibility function;
 - Head of Financing.
- The Committee is responsible for:
 - Selecting the Eligible Green Projects to be included in the Eligible Project portfolio according to a pre-selection of potential Eligible Projects made by the relevant business units in accordance with the selection criteria established in the Issuer’s Green Bond Framework and its Health, Safety and Environmental policy.

The traceability and verification of the selection and evaluation of the projects are ensured throughout the process:

- The Committee will meet twice a year;
- The traceability of the decisions appears to be ensured through meeting minutes that will be written for each meeting of the Green Bond Committee;
- An independent auditor will be mandated to verify the compliance of the selected Green Project Portfolio with the eligibility criteria and process defined in the Framework.

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

- The selection is based on the definition of the Eligible Categories defined in the Use of Proceeds section of the Framework;
- The Issuer will only include projects based in Europe and Australia.

The identification and management of the environmental and social risks associated with the Eligible Projects are considered good and appear to follow the “Do-not-significant-harm” principle and minimum social safeguards recommended by the TEG Final Report on the EU Taxonomy (March 2020).

The Issuer reports that, for all projects financed by the Bonds, an Environmental and Social (when relevant) Due Diligence is conducted, including the analysis of the environmental and/or social impact assessment performed beforehand, in addition to a health and safety evaluation. Moreover, the Eligible Projects are located in Europe and Australia (“designated countries” as defined by the Equator Principles) which are considered to have a robust environmental and social governance.

In addition, the Issuer reports that all projects are covered by a dedicated Health, Safety and Environmental Management Plan (HSEMP) to which all contractors and subcontractors working on the project must comply. The HSEMP covers the main environmental and social risks associated with the Eligible Projects, namely: health and safety, pollution prevention and control, local communities and social impact, and ecosystem and cultural heritage conservation. Moreover, dedicated social audits are carried out by independent external auditors. In addition, the Issuer requests each supplier to provide updated Tax Compliance Certificates (TCC)⁸. An area for improvement consists in performing internal or external environmental audits during the operational phase.

Environmental risks

- Neoen reports that all projects financed will undergo an **Environmental Impact Survey** performed by independent specialised firms. The surveys will include ecological monitoring and quantitative indicators (flora, birds, noise pollution and wildlife), for a 12 month period, as a means of identifying the potential impacts on, among others, water zones, wildlife and habitat. Any project must also meet requirements for landscaping and heritage integration, proximity to telecommunication networks and limitation of fire risks. The company appears to have identified the main potential consequences that physical impacts of climate change could have on its activities, additionally measures are visible regarding this issue (impact of rising sea level and extreme weather events, impact of lower wind and impact of changing temperature).
- Concerning **pollution prevention and control**, Neoen reports to have implemented risk prevention procedures. The project site’s emergency response/evacuation procedures are used except where it is identified by the Risk Assessment and/or Engineering, Procurement and Construction (EPC)’s Project Manager that a specific Emergency Plan needs to be generated by EPC or its subcontractors. When conducting the site induction briefing, the Project HSE Advisor advises all personnel of the emergency evacuation procedure and muster point locations.
- In terms of **biodiversity**, the Issuer reports that protection of biodiversity is covered by its environmental impact studies which include biodiversity management guidelines. The application of the mitigation measures is reviewed by a third party. All project development teams receive a training on biodiversity protection. In addition, ecological monitoring is conducted for the projects and quantitative indicators mentioned in the management guidelines are documented (such as vegetation management programmes, biotope management plans and land remediation/restoration).
- With regards to the **end-of-life environmental impacts and dismantling of the equipment and infrastructure**, Neoen has set up dedicated measures for managing end-of-life of the equipment and infrastructures of the projects. The Issuer is a member of an organisation that manages an operational system of collection and recycling for end-of-life photovoltaic panels throughout Europe. In addition, the Issuer reports that most of the wind turbines parts are recycled through existing networks.

Concerning the lithium-ion batteries, the Issuer reports that its two main suppliers are certified ISO 14001 and that recycling options are now included in the Request for Proposals. If the option of recycling by the maintainer is not chosen, a "contingency" amount dedicated to battery recycling is included into the project’s business plan.

Areas for improvement consist in (i) conducting life cycle assessments to assess the carbon footprint of purchased batteries and (ii) formalising a dedicated policy regarding the end-of-life and the recycling of batteries.

⁸ A Tax Compliance Certificate ensures that the supplier is up to date in terms of taxes, which includes any social taxes for his employees

DNSH – EU Taxonomy (March 2020)			
	Solar PV	Wind	Batteries
Mitigation	N/A	N/A	N/A
Adaptation	✓	✓	✓
Water	N/A	✓	N/A
Circular Economy	✓	✓	✓
Pollution	N/A	N/A	N/A
Ecosystem	✓	✓	✓
Overall DNSH	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Social Risks

Since all projects will be located in Europe and Australia (both part of the “Designated Countries” as defined by the Equator Principles), deemed to have a robust environment and social governance, as well as legislation systems and institutional capacity designed to protect their people and the natural environment, the Issuer relies on national legislation for specific risks and on relevant documentation (e.g. construction and exploitation permits, technical and legal reviews) to demonstrate the respect of this legislation. Additionally, in Australia, Neoen systematically works to assess impact on indigenous populations.

- In terms of **respect of fundamental human and labour rights**, the Issuer has set up a basic system to ensure the respect and promotion of human rights in society that includes specific contractual clauses in EPC contracts for each project, demanding that contractors respect International Finance Corporation (IFC) guidelines. In case of non-compliance, contractors can face the termination of the contract. Additionally, Neoen reports to monitor any labour right risks of projects under construction in all of its operations.
- Regarding **Health & Safety**, Neoen reports H&S audits are performed by independent consultants, especially on international construction projects. Neoen implements H&S awareness raising communications and trainings for contractors. Additionally, Neoen monitors accidents and non-conformities.
- Concerning **local social and economic development and local consultation**, mandatory social impact assessments (ESIA), covering both construction and operation phases have been conducted for all relevant Eligible Projects and dedicated plans are in place, including a public information procedure to all interested parties and a grievance mechanism.

Regarding **the integration of social and environmental factors in the procurement process**: During the construction phase Neoen’s Project Manager is responsible for ensuring compliance with the HSE recommendations by the teams under the contractor's responsibility. A third-party organisation validates the proper application of social and environmental measures and onsite compliance with the fundamental rules by the International Labour Organization (ILO) and the European Human Rights for Developing Countries. Moreover, the third-party organisation ensures the control of the documentation and the operational implementation of these measures. If discrepancies are found, control systems are increased, and work might be suspended in order to limit HSE risks.

- Neoen has an internal **Code of Conduct** which provides guidelines for professional and ethical behaviour and articulates acceptable and unacceptable conduct and practices in internal and external dealings. Neoen reported to provide training on corruption to its employees, contractors and suppliers. The Issuer disclosed a Whistle Blowing system in place regarding these issues. Additionally, the Issuer performs due diligence regarding corruption and audits are conducted by an external law firm. In case of an investigation reported by an employee, an independent lawyer will handle the case to deal with the issues covered by the Code of Conduct.

Management of proceeds

The rules for the management of proceeds are clearly defined and the allocation of proceeds 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:

- The net proceeds of the Bonds will be held in Neoen's general treasury and will be managed in cash or cash equivalent.
- The unallocated proceeds will be managed in accordance with the Issuer's cash management policies and investment mandates. The Issuer commits to exclude temporary placements in GHG intensive and controversial activities.
- In case of projects postponement, cancelation, divestment or ineligibility, or in case an Eligible Project has matured, the Issuer has committed to replace the no longer Eligible Project by a new Eligible Project within 36 months.

We value the Issuer's intention to fully allocate the proceeds within 24 months after the Bond's issuance, to the best of its abilities. An area for improvement would be to transform this intention into an engagement.

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

- Neoen will set up a dedicated Green Bond Register in order to track and monitor the use of the Green Bond proceeds;
- The Treasury Department will be responsible for monitoring the allocation of the proceeds to Eligible Green Projects;
- An independent third party will verify annually the tracking method and the allocation of proceeds to Eligible Projects until full allocation.

Monitoring & Reporting

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

The processes for monitoring, data collection, consolidation, validation and reporting are clearly defined by the Issuer in internal documentation. An area for improvement is formalising these processes in the Framework.

The processes are structured and based on relevant internal expertise and involve relevant departments of the Issuer:

- Neoen's monitoring system will be used to monitor the financial aspects of the projects;
- The Financial Controller for Neoen will be responsible for monitoring and collecting the financial data and the CSR Representative will be responsible for monitoring and collecting the extra-financial data;

The Issuer has committed to report annually and until full allocation on the proceeds and impact of each Bond issued under its Framework. The reports will be publicly accessible on Neoen's website.

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: the selected reporting indicators are clear and relevant.

Reporting indicators
<ul style="list-style-type: none">- A list of the Eligible Projects financed- The total amount of net proceeds allocated to Eligible Projects- The share of allocated amount vs unallocated amount (%)- The type and amount of temporary placement of unallocated funds- The share of refinancing vs financing (%), per issuance

Neoen reports that for confidentiality reasons it will not disclose the percentage of co-financing, however Neoen reports that projects are 100% owned and operated by the Issuer in their vast majority, with a 89% detention rate of its assets as of December 31st, 2019.

- Environmental benefits: the selected reporting indicators are clear and relevant.

Eligible Category	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Renewable Energy	<ul style="list-style-type: none"> - Capacity of renewable energy plant(s) financed or refinanced through Neoen Green Bonds in MW - Annual renewable energy generation in MWh/GWh (electricity) 	Annual GHG emissions avoided in tonnes of CO ₂ equivalent
Energy Storage	Capacity of energy storage financed or refinanced through Neoen Green Bonds in MW	

The Issuer has committed to publically disclose the key methodologies and assumptions used to calculate the benefits of Eligible Projects within its Annual Impact Reports.

In case of material developments relating to the Bonds and to the Eligible Projects, including in case of ESG controversies or project modification, the Issuer has committed to communicate to investors the list of eligible projects financed if updated.

The Issuer commits to have an independent external reviewer to verify the reported information on the environmental benefits measured within its Impact Reports.

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

Neoen'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. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018, the key recommendations of the TEG Proposal for an EU Green Bond Standard ("EU GBS") published in June 2019, the the TEG Final Report on the EU Taxonomy published in March 2020, 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 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 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 Projects. The identification and management of the ESG risks associated with the Eligible 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 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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