

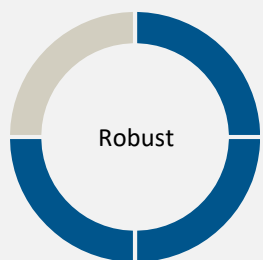
SECOND PARTY OPINION

on the sustainability of Avangrid's Framework for Green Financing

V.E considers that Avangrid's Framework is aligned with the four core components of ICMA's Green Bond Principles 2021 ("GBP") and LMA/APLMA/LSTA's Green Loan Principles 2021 ("GLP").

Framework

Contribution to Sustainability:

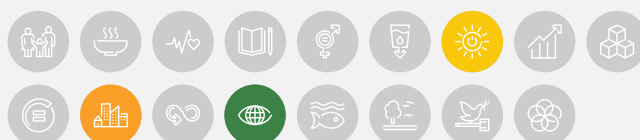


☐ Advanced
 ☐ Limited
 ☒ Robust
 ☐ Weak

Expected impacts

ESG risks management

SDG Mapping

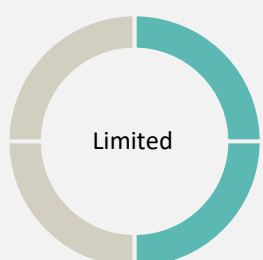


Characteristics of the Framework

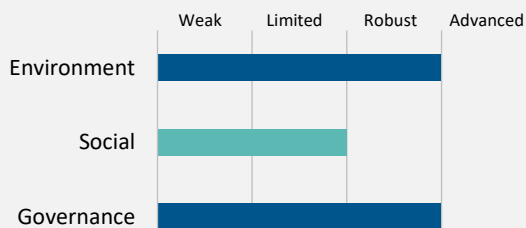
Green Project Categories	⇒ Four Categories
Project location	United States
Existence of framework	Yes
Share of refinancing	Disclosed at each issuance
Look back period	>3 years

Issuer

ESG Performance as of March 2021



☐ Advanced
 ☐ Limited
 ☒ Robust
 ☐ Weak



Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology:

- | | | | |
|---|---|---|--|
| <input type="checkbox"/> Alcohol | <input checked="" type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tar sands and oil shale |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Civilian firearms | | | |

ESG Controversies

Number of controversies	Two
Frequency	Isolated
Severity	Significant
Responsiveness	Reactive

Coherence

Coherent

Partially coherent

Not coherent

V.E considers that the Framework are coherent with Avangrid's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that Avangrid's Framework is aligned with the four core components of the GBP & GLP.

Use of Proceeds - aligned with GBP & GLP

- Eligible Categories are clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all of the Eligible Categories and set in coherence with international standards.
- Expected Benefits are clear, these are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicating on the estimated share of refinancing for each Instrument issuance. The look-back period for refinanced Eligible Categories may be greater than 3 years.

Evaluation and Selection - aligned with GBP & GLP

- The Process for Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities clear and include relevant internal expertise. The Process will be publicly disclosed in the herewith SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined by the Issuer for all of the eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for a majority of the categories (see detailed analysis on pages 17 - 21).

Management of Proceeds - aligned with GBP & GLP

- The Process for the Management and Allocation of Proceeds is clearly defined and available in the Framework.
- The allocation period will be shorter than 36 months.
- Net proceeds of the Instruments will be placed in a segregated account or tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Instrument is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement, and it has committed to reallocate divested proceeds to projects that are compliant with the Framework for Green Financing.

Reporting - aligned with GBP & GLP

- The Issuer has committed to reporting on the Use of Proceeds annually, until Instrument maturity. The report will be publicly available until Instrument maturity.
- The reporting will cover relevant information related to the allocation of Instrument proceeds and to the expected environmental benefits of the Categories.
- The Issuer has not committed to disclosing the methodology and assumptions used to report on environmental benefits of the Eligible Categories.
- Tracking and allocation of funds to Eligible Projects will be verified only internally by the Issuer. Indicators used to report on environmental benefits of the Eligible Categories will be verified internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Green Bonds and Loans¹ (“Instruments”) to be issued by Avangrid (the “Issuer”) in compliance with the Framework for Green Financing (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (“GBP”) and LMA/APLMA/LSTA’s Green Loan Principles (“GLP”) edited in June and February 2021 respectively (together referred to as the “GBP & GLP”).

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

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Instrument’s potential contribution to sustainability and its alignment with the four core components of the GBP & GLP 2021.
- Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents.

We carried out our due diligence assessment from August 18th to September 15th, 2021. We consider that we were provided access to all documents we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Green Bonds and Loans” are to be considered as the bonds and loans to be potentially issued, subject to the discretion of the Issuer. The name “Green Bonds and Loans” has been decided by the Issuer: it does not imply any opinion from V.E.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the Framework are coherent with Avangrid's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

The North American Electric & Gas Utilities sector has a major role to play with regard to climate change and energy efficiency through the promotion of renewable energy sources, energy efficiency (The National Action Plan for Energy Efficiency) and a reduction in greenhouse gas emissions of power plants (EPA Clean Power Plan). Companies are expected to set ambitious climate change strategies, backed by relevant targets and widespread environmental management systems. Indeed, with two-thirds of greenhouse gas (GHG) emissions coming from the energy sector, the Intergovernmental Panel on Climate Change (IPCC) highlights the need for a transformation of the world's energy system with an immediate, large-scale shift to renewable energy and energy efficiency. In addition, according to a report³ published by the International Renewable Energy Agency (IRENA), the rapid adoption of renewable energy combined with energy efficiency strategies is a reliable pathway to achieve over 90% of energy related CO₂ emissions reductions needed to meet National climate pledges.

Avangrid acknowledges its role regarding climate change mitigation and energy transition through formalized commitments and targets towards decarbonisation and environmental responsibility. Avangrid stated purpose is to provide an accessible clean energy model to transition to sustainable living. In their sustainability policy, they have outlined targeted business efforts to achieve SDG 7 (clean energy) and SDG 13 (climate action).

In particular, Avangrid has formalized its commitments to develop renewable energy and reduce its corporate carbon footprint by setting quantitative targets:

- Reduce the intensity of Scope 1 greenhouse gas emissions of its generation capacity by 35% by the year 2025 compared to a year 2015 baseline and Scope 1 carbon neutral by the year 2035⁴;
- Continue to focus on a renewable energy targeting an increase in renewables installed capacity of more than 100% by the year 2025 compared to the 2015 baseline⁵;
- Avangrid also launched a Clean Fleet Project with aggressive green fleet targets, the most prominent of which is 60% of the fleet being clean energy by 2030⁶.

The Issuer has disclosed informal incremental targets in an effort carbon neutrality by 2035. It has set intermediary goals to reduce 25% of its carbon footprint by 2030. Avangrid has also pledged to integrate Plug-In Hybrid Electric Vehicles (PHEVs) and Electric Vehicles (EVs) into the fleet and, to assist this integration, the Issuer has already installed charging stations at numerous company sites.⁷

By issuing Green Instruments to finance or refinance Eligible Projects related to Renewable Energy, Energy Efficiency, Climate Change Adaptation and Clean Transportation, Avangrid coherently responds to the abovementioned commitments and addresses the main issues in terms of environmental responsibility of its sector.

FRAMEWORK

Avangrid has described the main characteristics of the Instruments within a formalized Framework for Green Financing that covers the four core components of the GBP and GLP 2021 (the last updated version was provided to V.E on September 14th, 2021). The Issuer has committed to making this document publicly accessible on Avangrid's website⁸, in line with good market practices.

³ Climate Change and Renewable Energy: National Policies and the role of communities, cities and regions (irena.org)

⁴ 2020 Sustainability Report

⁵ ibid

⁶ Environmental Management (avangrid.com)

⁷ Carbon Footprint (avangrid.com)

⁸ www.avangrid.com

Alignment with the Green Bond and Green loan Principles

Use of Proceeds



The net proceeds of the Instruments will exclusively finance or refinance, in part or in full, Projects falling under four Green Project Categories (“Eligible Categories”), as indicated in Table 1.

- Eligible Categories are clearly defined, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- Expected Environmental Benefits are clear, these are considered relevant, measurable, and will be quantified for all the Eligible Categories in the reporting.
- The Issuer has committed to transparently communicating the estimated share of refinancing for each Instrument issuance. The look-back period for refinanced Eligible Categories may be greater than 3 years.

An area for improvement consists in limiting the lookback period to a maximum of 36 months to be in line with market practices.

BEST PRACTICES
⇒ The Issuer has committed to transparently communicating the estimated share of refinancing for each Instrument issuance.

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer Framework.




- Nature of expenditures: CapEx and R&D
- Location of Eligible Projects: United States

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Renewable energy	<p>The construction, development, operation and maintenance of renewable electricity production units (limited to onshore and offshore wind, photovoltaic and CSP solar).</p> <p>Transmission and distribution networks projects that connect renewable generation sources (e.g. transmission projects dedicated principally or solely to delivering renewable energy to load centers).</p> <p>Transmission and distribution grid projects that enable distributed renewable generation and support the achievement of renewable portfolio / clean energy targets (e.g. smart grid technologies, advanced metering infrastructure, distributed automation).</p> <p>Investment unrelated to increasing use of renewable generation sources will be excluded.</p>	<p><u>Climate change mitigation</u></p> <p>-</p> <p>GHG emissions avoidance</p>	<p>The Eligible Category is clear. The Issuer has communicated the nature of the expenditure, the eligibility criteria and location of the Eligible Projects at country level.</p> <p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
Energy Efficiency	<p>Transmission and distribution network Projects which aim at improving system efficiency and/or energy use management. (e.g. automated metering, consumer demand response technologies, LED street lighting).</p>	<p><u>Climate change mitigation</u></p> <p>-</p> <p>GHG emissions avoidance</p>	<p>The Eligible Category is clear. The Issuer has communicated the nature of the expenditure, the eligibility criteria and location of the Eligible Projects at country level.</p> <p>An area for improvement is to further define this Category with selection and/or exclusion criteria (e.g. at least 20% efficiency compared to baseline).</p> <p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
	<p>Resiliency and hardening projects in transmission and distribution networks focused on mitigating the impact of extreme weather events (e.g. severe windstorms, icing, flooding (investment in normal aged asset replacement),</p>	<p><u>Climate change adaptation</u></p> <p>-</p> <p>Increase infrastructure resilience</p>	<p>The Eligible Category is clear. The Issuer has communicated the nature of the expenditure, the eligibility criteria and location of the Eligible Projects at country level.</p>

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
	including SCADA controls, automated reclosers, circuit shortening, tree wire, selective undergrounding.		<p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
Clean Transportation	Fleet vehicle electrification, charging station infrastructures and other supporting infrastructures.	<u>Climate change mitigation</u> - GHG emissions avoidance	<p>The Eligible Category is clear. The Issuer has communicated the nature of the expenditure, the eligibility criteria and location of the Eligible Projects at country level.</p> <p>The Environmental Objective is clearly defined, relevant and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>

SDG Contribution

The Eligible Categories are likely to contribute to three of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Renewable Energy	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency.
Clean transportation	 11 Industry, Innovation and Infrastructure	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Renewable Energy	 13 Climate Action	SDG 13 is about taking urgent action to combat climate change and its impacts.
Energy Efficiency		
Clean Transportation		
Climate Change Adaptation		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

Evaluation and Selection of Eligible Projects



- The Process for Project Evaluation and Selection has been clearly defined by the Issuer, it is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the herewith SPO.
- Eligibility criteria (selection and exclusion) for Project selection have been clearly defined by the Issuer for all of the eligible categories.
- The process applied to identify and manage potentially material E&S risks associated with the Projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification and corrective measures for a majority of the categories (see detailed analysis on pages 17 - 21).

Process for Project Evaluation and Selection

- For the purpose of the Instruments, a Green Financing Committee ("the Committee") has been created. This Committee is chaired by Avangrid's Vice President – Treasurer and is composed of representatives from:
 - Management charged with the production of the Sustainability Report
 - Networks and/or Renewables business segments
 - Legal
 - CEO's staff
- The Committee is responsible for:
 - conducting a screening and selection process prior to each Green Financing event to identify Eligible Projects that will be financed with the net proceeds;
 - monitoring the selected Eligible Projects for continued eligibility, should a Project fail one or more of the eligibility criteria detailed in the Framework for Green Financing during the life of the Green Financing to which it is allocated;
 - identifying and substituting an alternative Eligible Project.
- The traceability and verification of the selection and evaluation of the Projects is ensured throughout the process:
 - The Issuer will ensure traceability of decisions made in the selection of Projects through meeting minutes.
 - The Issuer will continually assess the compliance of the Projects with the Selection and Exclusion criteria set out in the Framework for Green Financing until Instrument maturity. In the event that a Project is no longer Eligible, the Committee will be responsible for substituting a new Eligible Project.
 - In the event that a controversy created a circumstance of Project ineligibility that could not be rectified, the Issuer would remove the Project and substitute another, the objective would always be to return to compliance with Avangrid's policies.

Eligibility Criteria

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

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The following activities will be excluded from the Framework:
 - Exploration, production or transportation of fossil fuels (e.g. coal, oil and gas);
 - Consumption of fossil fuels for the purpose of power generation;
 - Nuclear energy;
 - Roads or parking garages.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and available in the Framework.
- The allocation period will be shorter than 36 months.
- Net proceeds of the Instruments will be placed in a segregated account or tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Instrument is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement, and it has committed to reallocate divested proceeds to projects that are compliant with the Framework for Green Financing.

Management Process

- The net proceeds of the Instruments will flow into general corporate treasury. In its accounting systems, Avangrid will track expenditures on Eligible Projects and notionally allocate green proceeds to these Projects as expenditures are made. In case the issuing entity is a single purpose company building a stand-alone Project, Avangrid will establish separate accounts.
- All net proceeds will be allocated to the Eligible Projects at settlement or within 30 months thereof.
- Unallocated funds held in general treasury would be used to improve Avangrid's liquidity position by reducing revolving borrowings or investment in safe, liquid short-term investments. Unallocated funds held in separate accounts would be invested in liquid short-term investment instruments or used to temporarily reduce Avangrid's short-term borrowings. The Issuer has clarified that the envisaged liquid short term investments are money market funds, commercial paper, certificates of deposit, bank deposits and U.S. treasuries.
- In case of Project ineligibility, the Issuer has committed to substituting a new Eligible Project. Avangrid will reallocate the proceeds immediately when an alternative Eligible Project is available and within 6 months where feasible.

BEST PRACTICES

- ⇒ The Issuer has provided information on the procedure that will be applied in case of Project divestment or postponement, and it has committed to reallocating divested proceeds to Projects that are compliant with the framework within 24 months.

Monitoring & Reporting



- The Issuer has committed to reporting on the Use of Proceeds annually, until Instrument maturity. The report will be publicly available until Instrument maturity.
- The reporting will cover relevant information related to the allocation of Instrument proceeds and to the expected sustainable benefits of the Categories.
- The Issuer has not committed to disclosing the methodology and assumptions used to report on environmental benefits of the Eligible Categories.
- Tracking and allocation of funds to Eligible Projects will be verified only internally by the Issuer. Indicators used to report on environmental benefits of the Eligible Categories will be verified internally by the Issuer.

Indicators

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

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear and relevant.

REPORTING INDICATORS

- ⇒ The list of Eligible Projects (re)financed, including a brief description;
- ⇒ The aggregated amount of (re)allocated net proceeds to Eligible Projects;
- ⇒ The proportion of financing vs refinancing (%);
- ⇒ The balance of the unallocated proceeds and the Projects they will be allocated to.

- Environmental benefits: The indicators selected by the Issuer to report on the environmental benefits are clear and relevant.

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	Installed capacity (MW) GWh produced New/total miles of transmission lines dedicated to delivering renewable power	Avoided GHG emissions (MT CO ₂ e) Qualitative disclosure of network characteristics
Energy Efficiency	Automated meters installed	Avoided GHG emissions (MT CO ₂ e) Energy savings (MWh)
Climate Change Adaptation	Number of grid devices installed Qualitative disclosure of additions by type of asset	
Clean Transportation	Charging stations supported (number of ports) Electric vehicles added to fleet (number of vehicles)	Avoided GHG emissions (MT CO ₂ e)

An area for improvement consists in committing to disclosing the methodology and assumptions used to report on environmental benefits of the Eligible Categories at least to investor-bondholders.

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until Instrument maturity.
- ⇒ The Issuer report will be publicly available.

Contribution to sustainability

Expected Impacts

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Renewable Energy	ADVANCED	<p>According to the International Energy Agency, USA's electricity mix is mostly powered by fossil fuels (24% coal, 37% natural gas). Decarbonation of the electricity mix is therefore a major issue in the United States⁹.</p> <p>Being specialised in the production, transmission, and distribution of electricity, investing in both renewable electricity production units and in subsequent T&D network Projects aiming to connect renewable generation sources is one of the most material ESG challenges for the sector. Solar panels are the most land requiring means of producing electricity and can therefore compete with other land usages. Information on the sourcing of panels and if the majority will be installed on roof or on ground could be valuable for minimising negative impacts. No lock-in effect is expected for solar and wind assets. By financing wind (on-shore and off-shore), photovoltaic panels, CSP, the category follows the best alternative available technologies in the sector to contribute to the claimed objective in the context of the project. Although, relevant additional criteria could have been set for Transmission and Distribution assets to meet best available standards.</p>
Energy Efficiency	ROBUST	<p>The development of transmission assets, monitoring tools are crucial to support the implementation of intermittent, grid-following, renewable energy to the grid and to reduce the consequences of local variations¹⁰. Given the nature of Avangrid's activity, the improvement of system efficiency and/or energy use management is a pertinent endeavor for the Issuer to contribute to climate change mitigation. However, the potential efficiency gains of investments such as advanced metering enable potential efficiency gains which are dependent on customer behavior, in-home technologies etc. which may slightly undermine the magnitude of the impact. In addition, the Issuer has not set any threshold criteria such as the percentage increase in energy efficiency or energy loss reduction.</p>
Climate Change Adaptation	ROBUST	<p>According to the United States Environmental Protection Agency¹¹, several states are exposed to a great extent to climate-change related events both currently and in the future in the locations where Avangrid operates, its assets are particularly subject to damage related to increasing storms. In order to protect its assets from the wind in particular, which may cause power cuts in case trees fall etc. Avangrid is planning to strengthen its network. Microgrids specifically are poised to manage the reliability of electrical grids by ensuring resilience against escalating environmental disturbances. This technology, envisaged by Avangrid, is relevant in light of its climate change adaptation efforts specific to the location of the assets.</p>
Clean Transportation	ADVANCED	<p>Generally speaking, mobility has a minor impact on the utilities sector and this Project Category does not tackle Avangrid's main source(s) of emissions. However, according to the Environmental Protection Agency¹², the transportation sector makes up 29% of total emissions in the country (2019), meaning the largest share of greenhouse gas emissions. In addition, investments in clean transport have both a global impact through climate mitigation and a local impact by improving air quality and noise pollution. There may be a risk of a lock-in effect with the electrification of the vehicle fleet, because the U.S. electricity mix remains heavily carbonated (according to the International Energy Agency, 22% of the U.S. electrical power sector is powered by natural gas and 23% by</p>

⁹ <https://www.iea.org/countries/united-states>

¹⁰ International Energy Agency, RTE, Conditions and Requirements for the Technical Feasibility of a Power System with a High Share of Renewables in France Towards 2050

¹¹ <https://www.epa.gov/sites/default/files/2016-09/documents/climate-change-ca.pdf>

¹² <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		coal). Although, the category follows the best alternative available technologies in the sector to contribute to the claimed objective in the context of the project.
OVERALL ASSESSMENT	ROBUST	The majority of envisaged Eligible Project Categories are relevant in relation to Avangrid's activity and how they can contribute to environmental benefits. They have been clearly defined, allowing V.E to comprehensively gauge the magnitude of their potential impact(s).

ESG Risks Identification and Management systems in place at Project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust¹³.

	ELIGIBLE CATEGORIES			
	RENEWABLE ENERGY	ENERGY EFFICIENCY	CLIMATE CHANGE ADAPTATION	CLEAN TRANSPORTATION
Environmental Management	X	X	X	X
Eco-design	X	X	X	X
Environmental Impact Assessment	X	X	X	N/A
Biodiversity	X	X	X	N/A
Energy Demand-Side Management	X	X	N/A	N/A
Fugitive GHG emissions	X	X	X	N/A
Adaptation to Climate Change	X	X	N/A	N/A
Environmental Pollution	X	X	X	N/A
End-of-Life and Decommissioning	X	X	X	X
Human and Labour Rights	X	X	X	X
Non-Discrimination	X	X	X	X
Health and Safety	X	X	X	X
Local Stakeholders and Communities	X	X	X	X
Integration of Social and Environmental Factors	X	X	X	X
Relations with Suppliers and Contractors	X	X	X	X
Business Ethics	X	X	X	X

¹³ The "X" indicates the E&S risks that have been activated for each Eligible Category.

	ELIGIBLE CATEGORIES			
	RENEWABLE ENERGY	ENERGY EFFICIENCY	CLIMATE CHANGE ADAPTATION	CLEAN TRANSPORTATION
OVERALL ASSESSMENT	LIMITED	ROBUST	ROBUST	ADVANCED

Environmental risks

Environmental Management

Avangrid has disclosed that every capital Project within the Projects Business Area is certified to conform with ISO14001:2015. Consistent with the Issuer's environmental policy, the intended outcomes of its management system include environmental performance, fulfilment of compliance obligations and achievement of environmental objectives. Avangrid's environmental management system may, among other things, address: (i) efforts to identify, assess and reduce adverse environmental impacts of the activities of the AVANGRID Group, (ii) environmental training for employees, (iii) environmental objectives and criteria to monitor accomplishment of the objectives, (iv) environmental programs designed to reduce environmental risks and impacts, and (v) monitoring and assessment of environmental performance.

Eco-design

The Issuer reports that it includes life-cycle considerations in each of what Avangrid calls its Project-specific *Aspect and Impact Analysis*; considerations are given for sustainable sourcing, energy efficient products, and the ability to recover, recycle and reuse products at the end of their life.

Environmental Impact Assessment

Every capital Project goes through an "Aspect and Impact" analysis (part of the ISO 14001 certification) to identify potential impacts to the environment, in addition to proposition design changes and mitigation measures where necessary. Additionally, at the onset of any Project, a Project Screening Questionnaire is used to identify potential environmental impacts prior to the design phase, so that the design can include mitigation efforts. The Issuer has further clarified that this questionnaire is sent out to Environmental SMEs to evaluate permitting needs and compliance obligations.

Biodiversity

Avangrid mitigates biodiversity impacts through a variety of means, such as choosing alternate routes for linear Projects, alteration of construction schedules to avoid impact of certain endangered species and creation of new wetlands or buffers. Within the Framework of the Issuer's *renewable energy* Eligible Project Category, Avangrid plans to finance (among others) offshore wind assets, which can have significant impacts on marine biodiversity. The Issuer has clarified that offshore Project components avoid wetlands and are placed in existing rights-of-ways and/or previously disturbed areas. Offshore construction is conducted during appropriate seasonal windows to avoid impacts to marine mammals and other cetaceans and bubble curtains or other sound-reducing methods are used to lessen the sound attenuation to marine species (including fish). Furthermore, there are also protected species observers onboard all vessels to monitor the presence of marine mammals within the "zone of impact" during survey and construction activities.

Energy Demand-Side Management

Avangrid Network Operating companies, through their conservation and load management teams, have created cost effective energy management programs that benefit low-income residents, small businesses, commercial & industrial customers, builders of new construction etc. Various methods are used to communicate these programs such as incentive offerings for new construction or renovations, behavioral through mailing customer personalized reports of their energy usage, rebates for buying Energy Star appliances as well as recycling old appliances.

Fugitive GHG Emissions

As part of Avangrid's Environmental metrics, GHG emissions is currently being tracked from the following areas related to the Eligible Project Categories SF6 emissions from electrical substations in CT, ME and NY 4) Fleet vehicles The substation operation group is currently evaluating alternative technologies to replace substation equipment.

Avangrid ensures that Projects are adapted to climate change by taking into account increased extreme weather events such as floods and especially wind-related adverse events. Several Project are underway in CT to add additional flood walls and

other flood mitigation efforts and to harden the system against floods (e.g. Singer and Congress Street substations currently underway, Milvon and Grand Ave/Mill River in planning stages).

Environmental Pollution

All Projects include a Project-specific *Aspect and Impact Analysis* which is used to create the necessary controls needed to prevent environmental pollution. Examples include the need for emergency response plans, spill kits, and incident response and notification methods. Most Project with existing substations are required to review and adhere to pollution prevention methods included in existing SPCC plans. Similarly, at the Project conclusion, any existing SPCC plan is updated, and a new one is created if needed. The Project Screening Questionnaire mentioned in the *Environmental Impact* section above also kicks off the process of creating a spoils management program to reduce pollution. Most Projects are also required to implement erosion and sedimentation control measures, and these such measure are inspected weekly during instruction.

End-of-Life and Decommissioning

The Project-specific *Aspect and Impact Analysis* includes controls to ensure recycling of equipment at end-of life, including scrap metal recover and mineral oil reuse. The Projects Business Area is working with Procurement to implement a new process to grade vendors on their environmental sustainability and social governance programs. At the end of construction, all Projects go through environmental restoration efforts to ensure that the environment is brought back to its pre-construction conditions as much as practical.

Social risks

Human and Labour Rights

Avangrid strives to respect and promote human rights in accordance with the international human rights principles encompassed in the *Universal Declaration of Human Rights*, the *International Labor Organization's ("ILO") Declaration on Fundamental Principles and Rights at Work*, the *United Nations Global Compact*, the *United Nations Guiding Principles on Business and Human Rights*, and the *Sustainable Development Goals (SDGs)* approved by the Member States of the United Nations. The Issuer has a "*Human Rights Policy*" which is overseen by the Company's Board of Directors with the assistance of the Compensation, Nominating and Corporate Governance Committee, which receives regular reports from management including the Company's Chief Executive Officer, Chief Sustainability Officer, and Chief Compliance Officer on human rights. Human rights-related commitments, efforts and statements, consistent with Avangrid's *Human Rights Policy*, are reported to the public annually as part of its Sustainability Report. Avangrid published a Supplier Code of Ethics on its external website, suppliers must adhere to all applicable domestic laws and are consistent with the UN Guiding Principles on Business and Human Rights and the ILO core labor principles.

Avangrid utilises a Code of Business Conduct and Ethics as well as Supplier Code of ethics which details the availability of different ways for individuals both in and outside the company to raise issues. The methods include an anonymous and externally facilitated helpline that is available 24/7. As part of the Iberdrola Group¹⁴, Avangrid is covered by audits undertaken by the former.

Non-Discrimination

Avangrid has a formalized Diversity, Equity and Inclusion Policy in place, centred around creating a diverse and inclusive work environment free of discrimination and harassment. In particular, it provides training and leadership programs for its employees that improves understanding of behaviors that can be perceived as discriminatory, exclusionary and/or harassing, as creates knowledge of the safe avenue for employees to report such behavior. The ability for all stakeholders to speak up is available through the external helpline and Iberdrola monitors and updates talent management processes and procedures on a continuous basis so that they remain diversity-neutral at all times. Avangrid has objectives relating to the contribution to the SDGs in their variable remuneration systems that were approved by governing bodies: by 2020 some of the objectives were to increase female presence in high profile positions, exceed the ration or training hours received per employee; and by 2022, to close the pay gap between men and women at group level.

¹⁴ Avangrid, Inc. is 81.5% owned by Iberdrola, S.A.

Health and Safety

Avangrid has implemented an integrated EHS management system based on internationally recognized standards, such as ISO 45001. While OHSAS 18001 focused on the concept of controlling hazards, ISO 45001 encourages risk-based thinking and an approach based in collaboration and prevention to reduce risks before they materialize (the Issuer communicated that this was particularly meaningful as it is currently in a transitional phase between OHSAS 18001 and ISO45001). The Issuer aims to eliminate recognized hazards and limit exposure to EHS risks, reducing pollution and the use of hazardous materials throughout the lifecycle of equipment and installations, comply with (or exceed) all applicable local, state and federal regulatory requirements and work to ensure a safe and healthy work environment, seek continuous improvements and encourage personnel to review events and opportunities in order to reduce incidents and empower employees to take action to control risks. The audits (conducted virtually due to COVID-19) were performed by TÜV Rheinland and supported by several members of the EH&S, Renewables and Networks teams.

Local Stakeholders and Communities

Avangrid recently set up local customer listening councils to allow customer concerns to be raised. In each state, the councils will comprise individuals representing consumers, businesses, municipalities and state and local agencies that operate in the communities the Issuer serves. The councils are expected to meet 3-4 times annually and will be coordinated by the local company president. Membership of the council will rotate periodically to ensure new voices and perspectives are heard. Within the Renewable business, during the development phase through and including operations, Avangrid operates an external anonymous helpline to allow all stakeholders to raise concerns. Avangrid Renewables also maintains a landowner helpline should issues arise.

Integration of Social and Environmental Factors

In 2019, the Procurement Department designed and launched a new sustainability supplier assessment model: it now includes the suppliers' performance in wide-ranging areas, such as the identification of objectives linked to the SDGs, management of risks resulting from climate change, circular economy strategy etc. The model has been agreed upon with internal stakeholders and has also been validated by an external party (Forética). The model assesses 43 ESG-related variables and is summarised in the KPIs that are part of each supplier. For 2021, improvement targets have been set for the entire Procurement Department related to the percentage of main suppliers which achieve these sustainability levels (65%). A weekly report has been defined for monitoring by business, country and procurement Category, as well as identifying suppliers which require an improvement plan. By 2021, the aim is to move to a Business Intelligence Tool with daily *updates*. All counterparties of Avangrid are continuously reviewed in an external third party system of issues such as adverse media or regulatory issues. If significant issues are identified, counterparties can be blocked from have any sort of commercial relationship with the Issuer. Avangrid also undertakes supplier audits and field assessment to ensure contractors are meeting all the requirements related to areas such as human resources, environment, occupational health and CSR.

Relations with Suppliers and Contractors

Avangrid has a number of controls in place to promote responsible relations with suppliers and contractors including i) The Avangrid Code of Business Conduct and Ethics; ii) The Supplier Code of Ethics iii) The ESG scorecard review of new suppliers iv) supplier terms and conditions.

Avangrid's Human Rights Policy details that all of its suppliers are required to abide by the Supplier Code of Ethics, pursuant to which they are (i) prohibited from using forced labor, prison labor, child labor, slavery, and human trafficking and must develop the necessary measures to eliminate and prevent the use of forced labor, (ii) must adhere to all applicable domestic laws and are consistent with the United Nations Guiding Principles on Business and Human Rights and the ILO core labor principles concerning freedom of association and collective bargaining, non-discrimination, forced labor and underage workers in the workplace, and (iii) must refrain from engaging in discriminatory practices and treat all their employees in a manner that respects human rights.

Once a supplier is in the Avangrid purchasing system, it is subject to ongoing monitoring through a Dow Jones database. Should any issue arise, the compliance division is alerted, and appropriate action is taken. For serious issues, the ability to block counterparties is available within the system. For further information, please refer to the section above on the *"integration of social and environmental factors"*.

Business Ethics

Avangrid conducts business in accordance with all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"). Avangrid has key Board Policies that include the Anti-Corruption Policy and the Crime Prevention Policy. This policy applies to all members of Avangrid and its respective officers, directors and employees, and all agents and third parties doing business with the Issuer or acting on its behalf. Avangrid keeps books, records and accounts that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of its assets. It maintains an internal control

system of accounting. Avangrid's Compliance Division is independent of management and the business and reports directly to the Audit and Compliance Committee of the Board of Directors with powers related to the prevention and correction of fraudulent and/or illegal conduct. The Compliance Division manages the Ethics and Compliance Helpline (which allows directors, officers, employees and other third parties to report financial or accounting improprieties, other conduct that may entail a break of the Issuer's Governance and Sustainability System or its Code of Business Conduct and Ethics) and the investigations and processing of reports arising out of the Helpline.

ISSUER



Avangrid, Inc. (Avangrid) is a renewable energy and utility Company engaged in the regulated energy distribution business through its subsidiary Avangrid Networks, Inc. Avangrid is also engaged in the renewable energy generation and gas storage and trading businesses through Avangrid Renewables Holding, Inc.

Level of ESG performance

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

As of March 2021, Avangrid displays an overall limited ESG performance, ranking 3rd in our "Electric & Gas Utilities North America" sector which covers 69 companies. Avangrid performance is considered robust in the Environmental pillar, limited in the Social pillar and robust in the Governance pillar.

DOMAIN	COMMENTS	OPINION
Environment	<p><u>Avangrid's performance on the Environment pillar is considered robust.</u></p> <p>The Company has set an objective to be carbon neutral by the year 2035. The Issuer's generation from renewable sources represented 90% of the total installed capacity in 2019. In addition, Avangrid's fossil fuel installed capacity remains low and has a major involvement in co-generation representing 63.81% of its total fossil fuel installed capacity. In addition, the Company plans to expand its utility-scale solar portfolio, with at least 670 MW planned to enter service by 2022. The Company's generation from renewable sources represented 17,479 GWh in 2019 which corresponds to 83.39% of its total generation. This share stands at the first quartile of the sector.</p> <p>However, Avangrid does not report on measures to prevent pollution and has only some measures to limit the impacts of its operations on biodiversity. In 2019, 17% of the company's production sites were ISO 14001-certified. The Company does not disclose quantitative data on GHG emissions related to the company's gas Transmission & Distribution activities. Finally, information on the outcomes of Energy demand-side management measures were not disclosed.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p><u>Avangrid's performance on the Social pillar is considered limited.</u></p> <p>Although their coverage remains unclear, some initiatives have been allocated to address social and economic development, and fuel poverty issues. Besides, there are no details on measures taken by the Company to promote access to energy. On a positive note, Avangrid appears to be transparent on its tax payments.</p> <p>The Company reports on its customer satisfaction index for its subsidiaries, which has increased between 2017 and 2019. Moreover, Avangrid has allocated measures to include social factors in supply chain management. Yet, the Company still lacks disclosure on measures to ensure service continuity and related quantitative data.</p>	Advanced
		Robust
		Limited

	The Company's collective agreements cover less than half of the workforce; and disclosed safety KPIs display mixed trends. Moreover, the Company does not report on its approach to manage labour relations and reorganisations.	Weak
Governance	<u>Avangrid's performance on the Governance pillar is considered robust.</u> Regular training, elections, and meetings were held for the Board of Directors. The Audit Committee appears to play a comprehensive role in overseeing internal and external controls, and a confidential reporting system is in place for accounting issues. Moreover, CSR risks are covered by the internal control system. Overall, shareholders voting rights seem to be respected, and an unaffiliated committee is in place to monitor transactions between the Company and its major shareholder. Finally, executive remuneration is disclosed on an individual basis and linked to a CSR performance condition. Avangrid appears to have an internal control in place to prevent corruption and anti-competitive practices; and disclosed a 100% annual ethics training completion rate. Furthermore, the Company does not disclose any commitment to ensuring transparency and integrity of lobbying practices and employees do not appear to receive training on anti-trust or lobbying issues.	Advanced
		Robust
		Limited
		Weak

Management of ESG Controversies

As of September 2021, Avangrid faces two stakeholders related ESG controversies, linked to one of the six domains we analyse:

- Business Behaviour, in the criterion of "Customer relations".

Frequency: The controversy faced is considered "isolated"¹⁵; above sector average.

Severity: The severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "significant"¹⁶; below sector average.

Responsiveness: reactive is considered overall "reactive"¹⁷; in line with the sector.

Involvement in Controversial Activities

The Issuer appears to be involved in one of the 17 controversial activities screened under our methodology, namely:

- **Minor involvement in Fossil Fuels industry:** Avangrid has an estimated turnover from fossil fuels which is less than 5% of total turnover. This turnover is derived from fossil-fuel-powered electricity generation, as well as from the storage of natural gas. The Company owns two natural gas thermal power plants with a total capacity of 636 MW. Three Avangrid Networks companies are involved in LNG plants operations: Connecticut Natural Gas (CNG) owns and operates an LNG plant, while Southern Connecticut Gas (SCG) has contract rights to and operates a similar plant. Additionally, Avangrid Networks companies also have small involvements in gas transmission pipelines (127 km). In October 2020, the Company entered into a definitive agreement to fully acquire PNM Resources, involved in power generation from coal, oil, natural gas, and nuclear. The deal has yet to be completed.

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

¹⁵ VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

¹⁶ VE scale of assessment: Minor / Significant / High / Critical.

¹⁷ VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

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 V.E.

METHODOLOGY

In V.E's 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 organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. 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 Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and LMA/APLMA/LSTA's Green Loan Principles – February 2021 ("GLP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

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

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;¹⁸
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

ESG risk management for Eligible activities

The identification and management of the potential ESG risks associated with the Eligible Projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Issuer's ESG performance

Scale of assessment of ESG performance: Weak, Limited, Robust, Advanced

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 V.E.

The Issuer's ESG performance has been assessed by V.E 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

V.E defines a controversy as public information or contradictory opinions from reliable¹⁹ sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E 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.

V.E 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 that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

¹⁸ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the Project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

¹⁹ 'Reliable' means that there are sufficient details to substantiate claims made, with due attention paid to the political dimension of news and the danger of misinformation. V.E draws on investigative journalism, the business press, NGO and trade union reports which focus on corporate behavior relating to ESG issues. It is neither possible nor advisable to create a prescriptive fixed list of sources as new, valid sources arise all the time and it is necessary to investigate these as and when they are retrieved in order to comprehensively cover evolving issues and media.

- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the 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, V.E's 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 screen the company's involvement 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.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer/Borrower: V.E has carried five audit missions or consultancy activity for Avangrid. No established relation (financial or commercial) exists between V.E and the Avangrid. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond/Loan, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer/Borrower's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E 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 V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has

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