



SECOND PARTY OPINION¹ ON THE SUSTAINABILITY OF IBERDROLA'S GREEN HYBRID BOND²

March 2018

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Perpetual Capital Securities (hereafter the "Hybrid Bond") considered to be issued by Iberdrola (hereafter the "Issuer"), according to Vigeo Eiris' Environmental, Social and Governance ("ESG") assessment methodology, and on the alignment with the Green Bond Principles voluntary guidelines (the "GBP").

The opinion is based on the review of the two following components:

- **Issuer:** document-based evaluation of the sustainability profile of Iberdrola, including:
 - ▶ ESG performance, assessed in October 2016³ through the complete process of rating and benchmark developed by Vigeo Eiris Rating.
 - ▶ ESG controversies' management and capacity to mitigate these risks, assessed at the hereby due diligence date.
- **Issuance:**
 - ▶ analysis of the coherence between the Issuer's Framework for Green Financing and issuer's sustainability strategy and commitments, and document-based evaluation of the Framework for Green Financing
 - ▶ document-based evaluation of the selected Eligible Project to be (re)financed with this Hybrid Bond

Vigeo Eiris' sources of information are gathered from our rating database, from Iberdrola, press content providers and stakeholders, complemented by interviews with involved departments and managers, held via telecommunications software. Vigeo Eiris has carried out its due diligence from February 20th to March 5th 2018.

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

VIGEO EIRIS' OPINION

Vigeo Eiris confirms that the Hybrid Bond considered by Iberdrola is a "Green Hybrid Bond" with positive contribution to sustainable development, aligned with the Green Bond Principles.

Vigeo Eiris reaches a reasonable⁴ level of assurance on the Hybrid Bond contribution to sustainability.

- **Issuer:** Iberdrola displays an overall advanced³ ESG performance (see Part I).
 - ▶ As of October 2016, the Issuer ranks 7th out of 48 European companies rated in the Vigeo Eiris "Electric and Gas utilities" sector. Iberdrola displays advanced performance on the Environmental and Social pillars and a robust performance on the Governance pillar. Vigeo Eiris' assurance that Iberdrola's ESG risk factors are adequately managed is reasonable for all reputational, human capital, operational and legal risks.
 - ▶ As of today, Iberdrola is involved in occasional controversies⁵ regarding different ESG domains. The severity ranges from minor to high. The company is overall reactive: it reports transparently in most cases. Regarding the 15 controversial activities analysed by Vigeo Eiris⁶, Iberdrola has a major involvement in Fossil Fuels and Coal, and a minor involvement in Nuclear power (due to nuclear generated electricity) activities. Iberdrola has no involvement in any of the 12 other controversial activities.

¹ Second Party Opinion – Green Bond Principles: This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles ('External Review' section). www.icmagroup.org

² The "Green Hybrid Bond" is to be considered as the potential forthcoming Hybrid Bond, which issuance is subject to market conditions.

³ Date of the last rating cycle for Iberdrola's sector – all potential evolutions and data published since October 2016 are not included in the rating.

⁴ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section of this document):

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

Level of Assurance: Reasonable, Moderate, Weak.

⁵ The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of the issuer or its financial obligations.

⁶ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

- **Issuance:** The Issuer's Framework for Green Financing is coherent with Iberdrola's main strategic priorities and is considered to be robust. The issuer is committed to make its Framework and this Second Party Opinion publicly available on its website⁷ (see Part II).
 - ▶ The net proceeds of the Hybrid Bond issuance will be used to finance and refinance one Renewable Energy project in the United Kingdom, which contribute to climate change mitigation and energy transition, in line with three United Nations Sustainable Development Goals (the "UN SDGs"). Objectives and expected environmental benefits associated with the Eligible Project are defined, precise, measurable and relevant. They will be assessed and quantified by the Issuer.
 - ▶ The process for project categorisation, evaluation and selection is clearly defined, is considered to be good in terms of transparency and governance, and relies on relevant selection criteria. In line with international standards, the integration of environmental and social factors in the process is good, covering main ESG risks associated with the Eligible Projects. The identification and management of environmental and social risks associated with the selected Eligible Project are considered to be good.
 - ▶ The rules for the management of proceeds are clearly defined by the Issuer and would enable a transparent allocation process.
 - ▶ The reporting commitments and process are good, covering the funds allocation and environmental benefits of selected projects (outputs and impacts), reaching an overall reasonable level of assurance on the issuer's capacity to report on the Green Hybrid Bond's use and impacts. We have recommended to report on the management of unallocated proceeds (if there are) and to define the process for monitoring and reporting.

EXTERNAL REVIEW

Iberdrola's Green Hybrid Bond issuance is supported by external reviews:

- The sustainability consultant review, i.e. the hereby Second Party Opinion performed by Vigeo Eiris, on the sustainability credentials of the Green Hybrid Bond, based on pre-issuance commitments and covering the key features of the Green Hybrid Bond, i.e. Issuer's sustainability profile and commitments related to the issuance (use of proceeds, evaluation, selection and allocation processes, and reporting).
- An annual verification, i.e. the Third Party auditor, covering the compliance with all procedures set forth in the Framework for Green Financing, the allocation of funds, the tracking of proceeds and the reporting indicators, until the maturity date of the Hybrid Bond.

This Opinion is valid as of the date of issuance limited to Iberdrola's Green Hybrid Bond issued in March 2018 related to East Anglia project.

Paris, March 16, 2018



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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 8 audit missions for Iberdrola (Second Party Opinion deliveries on Green Bonds in April 2014, April, September and November 2016, February and September 2017, on Green Loan in January 2017, and on Green Hybrid Bond in November 2017) and no consultancy over the past 5 years. No established relationship (financial or other) exists between Vigeo Eiris and Iberdrola.

This opinion aims to explain for investors why the Green Hybrid Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the 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 correctness, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects (re)financed by the Green Hybrid Bond. Iberdrola 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 financial performance of the Green Hybrid Bond, 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.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Iberdrola or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Restriction on distribution and use of this Opinion: the opinion is provided by Vigeo Eiris to the Issuer and can only be used by the Issuer. The distribution and publication is at the discretion of the Issuer, submitted to Vigeo Eiris approval.

⁷ <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-bonds>

DETAILED RESULTS

Part I. ISSUER

Level of Iberdrola's ESG performance

As of October 2016 (date of the last rating cycle for this sector), Iberdrola's overall approach to manage ESG related issues is advanced.

Domain	Comments	Opinion
Environment	<p>Iberdrola's performance in the Environment domain is considered as advanced, above the sector average. It has significantly improved since the last review, in particular in terms of development of renewable energy, management of energy consumption and air emissions from fossil-based generation activities, and energy demand-side management. This increase is mainly due to relevant measures implemented broadly within the Group, and to effective results, especially on customer's energy savings and with a low thermal carbon factor compared to the sector average, decreasing by 5% between 2013 and 2015. The company's environmental strategy remains advanced with robust commitments. Specific targets have been set with regard to CO2 emissions and to development of renewable energy. Iberdrola's share of energy generation from renewable sources (35.58%) stands in the second quartile of the sector.</p> <p>However, the company remains limited in Management of energy consumption and GHG from Transmission & Distribution activities, and has faced frequent controversies of minor severity regarding environmental pollution and protection of biodiversity, while being overall reactive and reporting transparently on the cases.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p>Iberdrola's performance on the Social pillar is advanced, above the sector average and has improved since the last review.</p> <p>Regarding the Human Resources domain, the performance remains robust. Iberdrola has issued a formalized policy to promote labour relations, which is monitored jointly with employee representatives in the majority of the company's operations. As for health & safety issues, most of Iberdrola's operations are covered by OHSAS 18001 certified system, and relevant measures are implemented for contractors and sub-contractors.</p> <p>Iberdrola's performance in the Human Rights domain is now advanced, above the sector average. The company has formalised Human rights promotion policy supported by significant measures. Regarding non-discrimination issues, Iberdrola's performance is now robust due to the continuously increased share of women in management positions. Labour rights promotion remained limited since the last review.</p> <p>Iberdrola's performance in the Community Involvement domain is advanced and has improved. Social impact assessment and development programs have been initiated, and the Company reports extensive measures to improve the access to energy.</p> <p>Otherwise, Iberdrola has improved its performance on the integration of social factors in the supply chain and is now advanced, due to better formalized and exhaustive commitments and means allocated.</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p>Iberdrola's performance in the Corporate Governance domain is robust and stands above the sector average. The Board and its committees display a high level of independence, and the Board oversees CSR issues. In addition, the performance in terms of audit & internal controls has improved: the Audit Committee oversees CSR risks and has a comprehensive role, the internal control system is supported by a confidential reporting system, and a significant ESG reporting, audited by a third party is published. However, major voting rights restrictions have been identified.</p> <p>Iberdrola's performance in the Business Behavior domain has improved and is now robust, above the sector average. Iberdrola's performance remains advanced in terms of Prevention of Corruption and is now robust on the prevention of anti-competitive practices, mainly due to more efforts identified to involve employees in the detection and reporting of these practices. Iberdrola's performance remains limited in responsible lobbying.</p>	Advanced
		Robust
		Limited
		Weak

Iberdrola is included in the following Vigeo Eiris Indices (as December 1st, 2017):

- Euronext Vigeo Eiris World 120
- Euronext Vigeo Eiris Europe 120
- Euronext Vigeo Eiris Eurozone 120.

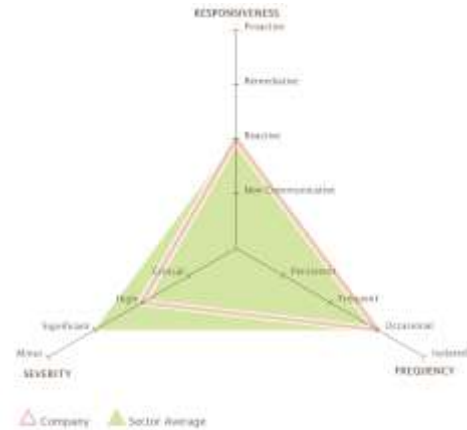
Stakeholder-related ESG controversies

Frequency: Iberdrola faces occasional allegations: the company is involved in 18 stakeholder-related ESG controversies, on several domains:

- Environment, namely on Industrial accidents and pollution, and Biodiversity (4 cases in total)
- Human Resources, namely on Reorganisation, and Health and safety (2 cases in total)
- Business Behaviour, namely on Customer relations, Sustainable Relationships with suppliers, Corruption, and Anti-competitive practices (12 cases in total)

Severity: The level of severity ranges from minor to high based on the analysis of their impact on the company and its stakeholders: the company faces 8 cases of minor severity, 7 cases of significant severity and 3 cases of high severity (related to Customer relations – 2 cases – and Corruption).

Responsiveness: Iberdrola is overall reactive: the company is proactive in 2 cases, implements remedial actions for 2 cases, reports transparently in 11 cases, and is not communicative in 3 cases of minor and significant severity. Of note, Iberdrola is either reactive or remediative for all 3 cases of high severity.



Involvement in controversial activities

Regarding the 15 controversial activities analysed by Vigeo Eiris, and based on an estimation of the level and type of company involvement, Iberdrola is involved in 3 of them:

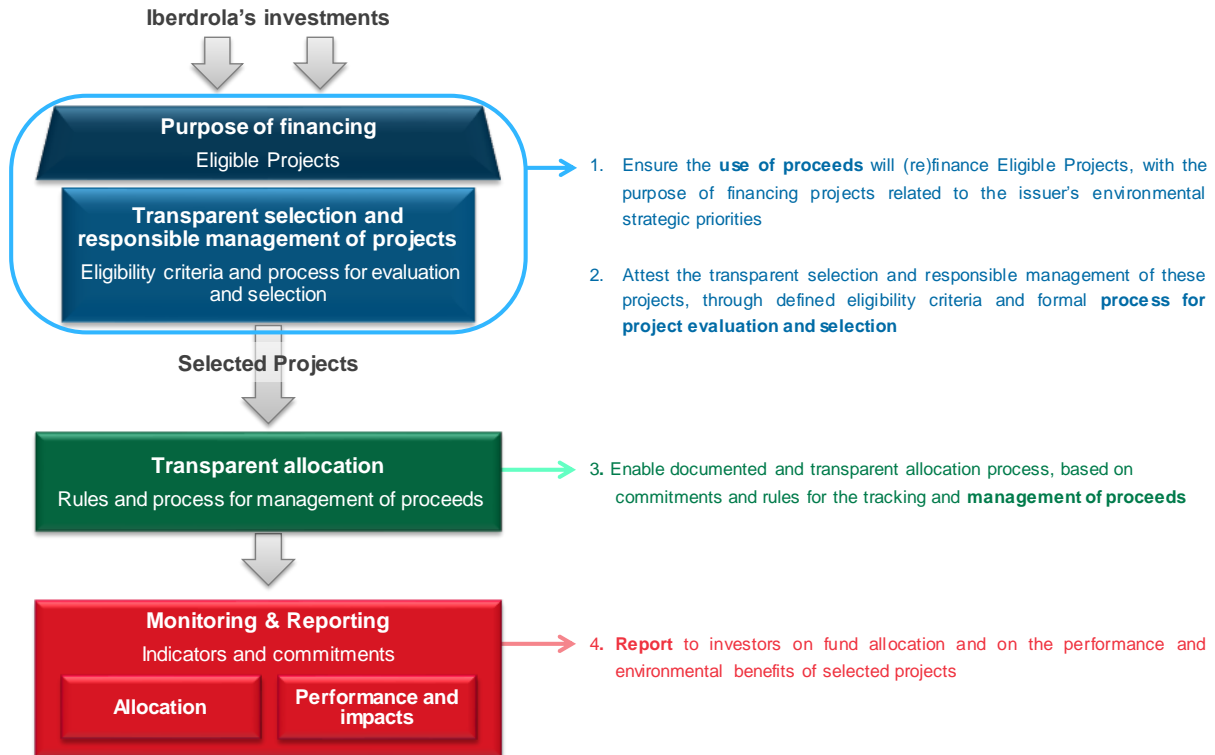
- Major involvement in Fossil Fuels: Iberdrola has an estimated turnover from fossil fuels which is 58% of total company turnover. This turnover is derived from the generation of electricity from fossil fuels and the storage of natural gas. The company owns and operates 23 combined cycle gas plants, 29 co-generation plants and two thermal power plants. Fossil fuels represent 46% of the total company power generation fuel mix in 2017.
- Major involvement in Coal: Iberdrola has an estimated turnover from coal which is less than 10% of total turnover. This turnover is derived from the generation of electricity from coal. The company reports it has 874 MW of installed capacity fuelled from coal, representing 1.9% of its mix. In terms of generation, 1.9% of the electricity generated in 2017 was derived from coal, which is decreasing compared with 2016 (2.8%).
- Minor involvement in Nuclear power: Iberdrola has an estimated turnover from involvement in nuclear power which is 3.3% of total company turnover. Turnover is derived from the generation of electricity from nuclear power and the provision of services to the nuclear industry. Nuclear power represents 16% of the company's total power generation fuel mix in 2017.

Iberdrola is not involved in any of the 12 other controversial activities analysed by Vigeo Eiris.

Part II. ISSUANCE

Iberdrola has established its Framework for Green Financing, which applies to the contemplated Green Hybrid Bond issuance. The issuer is committed to make its framework and this Second Party Opinion publicly accessible on its website.

The framework refers to the four core components of the Green Bond Principles, as below:



Coherence of the issuance

Iberdrola's Framework for Green Financing is coherent with the issuer's main ESG strategic priorities, and contributes to achieve its commitments and objectives.

Vigeo Eiris has a reasonable level of assurance on Iberdrola's capacity to integrate relevant issues in terms of environmental responsibility in its investments.

As a Spanish multinational leader in the energy sector, Iberdrola produces and supplies electricity to around 100 million people in the countries in which it operates. The company focuses on the development of clean energy, making it the first renewable producer amongst European utilities and the second cleanest power company in the USA, with almost zero emissions. Iberdrola is pioneering the rollout of smart grids and has an energy storage capacity in excess of 4 GW.

- Iberdrola has incorporated the Sustainable Development Goals defined by the United Nations for the 2015-2030 horizon into the company's strategy and its Sustainability Policy. In line with its activity, Iberdrola focuses its efforts on an affordable and clean energy supply and action for the climate. In addition, the Group reports that it has increased the investment in R&D&I activities, it promotes the respect of land ecosystems life and works in the creation of partnerships to achieve these goals. Iberdrola commits to implement its contribution to the social and economic development of the communities in which it operates and the protection of the environment through its sustainable energy business model.
- Iberdrola is committed to play an important role in the development of the Green Bond market as a relevant mean to channel more investments toward climate change mitigation and environmental projects. On the occasion of the Paris 2017 Climate Finance Day, Iberdrola, along with eight of Europe's largest industrial emitters of green bonds, publicly announced its undertaking to further develop the green bond market, thereby committing to be present in this market in the long term, to place green bonds at the heart of its project financing and business lines, and to implement stringent reporting procedures. To support its strategy and ambition, Iberdrola already issued 8 Green Bonds so far, 1 Green Hybrid Bond and contracted 1 Green Loan, in total representing 7,200 m€, making it the most frequent and biggest worldwide corporate issuer in 2016.
- In line with its Framework for Green Financing, the Green Financing instruments are used to (re)finance renewable energy, smart grids and Transmission and Distribution Networks projects, which contribute to climate change mitigation and energy management.

Use of proceeds

Vigeo Eiris estimates that the definition of the Eligible Projects category is clear and that the related objectives and expected benefits are defined, precise, measurable and relevant, aligned with the Green Bond Principles. The Issuer will assess and quantify the environmental benefits. As a result, it is considered aligned with the Green Bond Principles.

Vigeo Eiris considers that the Eligible Projects’ contribution to sustainable development is positive due to the expected environmental benefits, associated with the defined category, on climate change mitigation and energy transition.

The net proceeds of the Green Instrument will be used to finance and refinance, in whole or in part, existing and future Eligible Projects that will fall into the following three categories :

- Renewable energy projects
- Smart grids projects
- Transmission and distribution networks projects.

Eligible Projects will contribute to defined sustainability objectives, have expected environmental benefits and will meet a set of eligibility criteria defined by the issuer.

For this Green Hybrid Bond issuance, Iberdrola intends to limit the selected projects to one “renewable energy” project only:

- The selected Eligible Project for this 2018 first Green Hybrid Bond issuance, named East Anglia ONE and managed by ScottishPower Renewables (100% Iberdrola), is an offshore wind farm located located 85 kilometers from East Anglia, England, and occupying an area of 300 square kilometers in the North Sea.
- The project consists of up to 102 Siemens wind turbines and foundations, each rated at 7 megawatts. This gives an overall generating capacity of up to 714 megawatts. Operations are expected to start in 2020.

Consequently, the scope of our due diligence assessment is limited to this project and to the related Eligible Projects category.

Eligible Projects category	Definition	Objectives	Environmental benefits	Vigeo Eiris’ analysis
Renewable energy projects	Financing of, or investments in development, construction, installation and maintenance of renewable energy production units from wind (onshore and offshore) and solar (photovoltaic or CSP) sources	To produce low carbon energy To improve the energy mix of Iberdrola To reduce the necessity and load factor of the fossil fuel generation	Climate change mitigation and Energy transition - Avoidance of CO ₂ emissions	The definition is clear and the content is relevant. The objectives and expected benefits are visible, measurable and relevant.

In addition, Vigeo Eiris considers that the defined Eligible Projects category is in line with three United Nations Sustainable Development Goals.



7 Affordable and Clean Energy

Contribution to achieving the UN SGD 7. Affordable and clean energy

The UN SDG 7 consists in ensuring universal access to affordable, reliable, sustainable and modern energy, with targets by 2030 on the share of renewable energy in the global energy mix and the promotion of investment in energy infrastructure and clean energy technology. By using the Green Hybrid Bond proceeds to (re)finance the selected Eligible Project, the Issuer is contributing to the UN SDG 7, with regards to the above-mentioned targets.



12 Responsible Production and Consumption

Contribution to achieving the UN SGD 12. Responsible consumption and production

The UN SDG 12 consists in ensuring sustainable consumption and production patterns, with targets by 2030 on the achievement of sustainable management and efficient use of natural resources. By using the Green Hybrid Bond proceeds to (re)finance the selected Eligible Project, the Issuer is contributing to the UN SDG 12, with regards to the above-mentioned targets.



13 Climate Action

Contribution to achieving the UN SGD 13. Climate action

The UN SDG 13 consists in building resilience and adaptive capacity to its adverse effects, developing sustainable low-carbon pathways to the future, and accelerating the reduction of global greenhouse gas emissions. By using the Green Hybrid Bond proceeds to (re)finance the selected Eligible Project, the Issuer is contributing to the UN SDG 13, with regards to the above-mentioned targets.

Process for project evaluation and selection

Vigeo Eiris estimates that the process for project evaluation and selection is clearly defined. The process is good in terms of transparency and governance, and relies on overall relevant eligibility criteria. As a result, it is considered aligned with the Green Bond Principles.

The process for evaluation and selection of Eligible Projects to be (re)financed is clearly defined and formalized in Iberdrola's framework.

Iberdrola's process is reasonably structured:

- The process for the evaluation and selection of eligible projects will use relevant internal expertise, with well-defined roles and responsibilities:
 - The respect of use of proceeds requirement is doubled checked by the Business and Environmental teams.
 - The project fulfillment with Iberdrola's CSR and Sustainability policies, eligibility criteria and the absence of any ESG matters are doubled checked by the Sustainability team (application of the exclusion criteria).
 - The evaluation and selection is performed by Iberdrola's Finance and Treasury Department, relying on representatives from several areas of the Iberdrola Group: The list of selected Eligible Projects is set up by business and environmental teams, based on internal expertise, and submitted to the Finance Department for validation and selection. Finance Department checks with Sustainability Department, Legal and Corporate Social Responsibility (among others) if the projects are available, and checks internally that double counting is avoided.
 - The whole procedure from the initial selection to the reporting is documented in the Framework for Green Financing.
- The verification and traceability throughout the process is partially defined.

The process relies on the following overall relevant eligibility criteria:

- Use of proceeds criteria based on the definition of the Eligible Projects category.
- Selection criteria applied at project level, covering most of the environmental and social risks associated with the Eligible Projects. We have recommended to strengthen commitments related to environmental and social standards in the supply chain, social and economic development, and air emissions.
- An exclusion criterion applied in case of any material litigation related to ESG matters, based on the integration of ESG factors at project level, according to the following principles defined in the Issuer's CSR and Sustainability policies⁸:
 - Environment: Environmental management, Protection of biodiversity, Atmospheric emissions and Energy management
 - Creation of value: ESG risk management, Responsible Customer Relation, Sustainable Procurement, Promotion of Business Ethics
 - Social dimension: Improvement of Health & Safety and Employment Conditions, Respect of human rights, Sustainable local insertion and Access to energy and prevention of fuel poverty.

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

- Iberdrola has implemented appropriate measures to address most of the ESG risks associated with the project. Room for improvement include the management of direct and indirect GHG emissions generated by the project for which there has been no assessment nor preventive measures.

Management of proceeds

Vigeo Eiris considers that Iberdrola's rules for management of proceeds are clearly defined and would enable a documented and formalized transparent allocation process, aligned with the Green Bond Principles. As a result, it is considered aligned with the Green Bond Principles.

- The net proceeds of the Hybrid Bond issuance will be managed within Iberdrola's treasury liquidity portfolio, in cash or other short term and liquid instruments that do not include GHG intensive activities nor disputable activities.

⁸ Iberdrola's Sustainability Policy www.iberdrola.es/webibd/gc/prod/en/doc/responsabilidad_sostenibilidad.pdf

- Iberdrola will track investments of the proceeds allocated to the selected Eligible Project and commits to avoid double counting with other green bond or loan proceeds. This tracking is integrated into the annual financial reporting process.
- For this Hybrid Bond issuance, Iberdrola expects to fully allocate the Hybrid Bond's proceeds within 12 months after the issuance date.
- All the management of funds (allocation process) will be reviewed post-allocation by an external auditor.
- In case of asset divestment, Iberdrola commits to use the net proceeds to (re)finance other Eligible Projects which are compliant with the current framework.

Monitoring & Reporting

The reporting commitments and process are good, covering the funds allocation and environmental benefits of selected projects (outputs and impacts), reaching an overall reasonable level of assurance on the issuer's capacity to report on the Green Hybrid Bond's use and impacts. As a result, it is considered overall aligned with the Green Bond Principles.

The process for monitoring, data collection and reporting is insufficiently defined. We have recommended to formalize it within the Framework for Green Financing.

The reporting will be performed on an annual basis through the Sustainability Report available on the Issuer's website.

The selected reporting indicators related to the fund allocation and environmental benefits are relevant for the defined Eligible Projects category. The Issuer commits to transparently report on the Green Hybrid Bond, until the maturity date of the Hybrid Bond, on:

- Use of proceeds: project related description (name, type of project, country, operational date) and fund allocation (invested capital attributable to the Green Financing instrument in € and percentage of allocated proceeds vs unallocated proceeds (if there are))
- Environmental benefits: ex annual estimates of climate benefits (outputs and/or impacts) of each Eligible Projects' share (re)financed by the Hybrid Bond, then aggregated at Hybrid Bond level

Outputs reporting indicators	Impacts reporting indicators
<ul style="list-style-type: none"> - Installed capacity (in MW) - Attributable capacity (in MW) - Annual attributable renewable energy produced by the wind farm (in MWh) 	<ul style="list-style-type: none"> - Annual attributable GHG emissions avoided (in tCO₂e)*

** based on Iberdrola's public calculation methodology.*

Beyond the GBP guidelines, the Issuer is committed to monitor and report on the responsible management (i.e. ESG indicators) of the project at corporate level only.

- The Eligible Project is fully integrated in a business division, covered by the overall annual group reporting.
- All the main ESG issues are monitored by Iberdrola at corporate level, reported annually in its Sustainability Report and their GRI compliance is verified by a third party. An auditor's annual assurance will be performed annually on the review that the ESG controversies related to the selected project were analysed in the Second Party Opinion.
- We have recommended to reinforce the information on ESG management at project level.

METHODOLOGY

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

Vigeo Eiris' methodology to define and to assess corporate's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behavior and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Electric & Gaz Utilities assessment framework, projects specificities and emerging issues.

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 will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents of the Issuer, including the Framework for Green Financing and information related to the selected Eligible Project, and interviewed members from several departments of the Issuer.

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

Part I. ISSUER

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

Level of the Issuer's ESG performance

The Issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 25 relevant ESG drivers organized in the 6 sustainability domains. The Issuer's performance has been assessed by Vigeo Eiris on the basis of its:

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

Stakeholder-related ESG controversies and involvement in controversial activities

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation on unproven facts.

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

- Severity: the more a controversy will relate to stakeholders' fundamental interests, will prove actual corporate responsibility in its occurrence, and will have adverse impacts for stakeholders and the 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).
- Frequency: reflects for each ESG challenge the number of controversies faced. At corporate level, this factor reflects on the overall number of controversies faced and scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).

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

In addition, 15 controversial activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) is based on:

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

Part II. ISSUANCE

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

Use of proceeds

The use of proceeds guidelines are defined to ensure that the funds raised are used to finance and/or refinance an Eligible Projects and are traceable within the issuing organisation. Each Project endorsed shall comply with at least one of the Eligible Projects category definition in order to be considered as an Eligible Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Green Hybrid Bond related Eligible Projects has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Projects. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

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

Management of proceeds

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


Reporting

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

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

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good / Robust	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 a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

Vigeo Eiris offers two types of services through separate business units

- ▶ **Vigeo Eiris rating** offers databases, sector-based analyses, ratings, benchmarks and portfolio screening, to serve all ethical and responsible investment strategies.
- ▶ **Vigeo Eiris enterprise** works with organisations of all sizes, from all sectors, public and private in order to support them in the integration of ESG criteria into their business functions and strategic operations.

Vigeo Eiris methodologies and rating services adhere to the strictest quality standards and have been certified to the independent ARISTA® standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Santiago, Stockholm and Tokyo and has a team of 200. The agency works with partners through its Vigeo Eiris Global Network.

For more information: www.vigeo-eiris.com