

# SECOND PARTY OPINION

on the sustainability of Iberdrola's Green Bond

V.E considers that Iberdrola's Bond is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP") and is in line with best practices identified by V.E.

## Issuance

Contribution to Sustainability:



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Bond

Green Project Category	⇒ Renewable Energy ⇒ Distribution of Electricity
Project locations	⇒ Australia, Poland ⇒ Spain
Existence of framework	Yes
Share of refinancing	No refinancing
Look-back period	N/A

## Issuer

ESG Performance as of September 2021



- Advanced
- Limited
- Robust
- Weak

	Weak	Limited	Robust	Advanced
Environment				
Social				
Governance				

Controversial Activities

The Issuer appears to be involved in 2 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"/> Tobacco                    |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering              | <input checked="" type="checkbox"/> Nuclear power   | <input type="checkbox"/> Unconventional oil and gas |
| <input type="checkbox"/> Civilian firearms    |   |   |   |

ESG Controversies

Number of controversies	6
Frequency	Isolated
Severity	Significant
Responsiveness	Reactive

## Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Bond is coherent with Iberdrola's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

## Key findings

V.E considers that Iberdrola's Bond is aligned with the four core components of the GBP and best practices identified by V.E.

### Use of Proceeds - aligned with GBP and best practices identified by V.E

- The Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all the Eligible Projects and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise, they are considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.
- The Issuer has transparently communicated that there will be no refinancing.

### Evaluation and Selection - aligned with GBP and best practices identified by V.E

- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Projects). The roles and responsibilities are clear and include relevant internal expertise. The process is disclosed in the Framework and in the herewith SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for 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 advanced: it combines monitoring, identification, corrective, and preventive measures for all projects (see detailed analysis on pages 16 - 18).

### Management of Proceeds - aligned with GBP and best practices identified by V.E

- The process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework and in the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be placed in the Iberdrola's general treasury and 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 in the Framework.
- The Issuer has committed that as long as the Bond 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/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months or less.

### Reporting - aligned with GBP and best practices identified by V.E

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity. The report is externally verified, this verification will also be made publicly available.



- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material developments/issues/controversies related to the projects.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Projects will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects until full allocation and in case of material changes. An external auditor will verify the indicators used to report on environmental benefits of the Eligible Projects until bond maturity.

## Contact

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# SCOPE

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V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Green Bond<sup>1</sup> (the “Bond”) to be issued by Iberdrola (the “Issuer”) in compliance with the Framework for Green Financing (the “Framework”) created to govern their Issuance (the “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”) - edited in June 2021 (referred together as the “GBP”).

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

- Issuance: we assessed the coherence between the Bond and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the GBP 2021.
- Issuer: we assessed the Issuer’s ESG performance, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities<sup>2</sup>.

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 October 8<sup>th</sup> to November 3<sup>rd</sup>, 2021. We consider that we were provided access to all documents and interviewees we solicited. For 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 Issuance

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

<sup>1</sup> The “Green Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

<sup>2</sup> 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.



# ISSUANCE

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Iberdrola has described the main characteristics of the Bond within a formalised Framework for Green Financing that covers the four core components of the GBP 2021 (the last updated version was provided to V.E on October 8<sup>th</sup>, 2021). The Issuer has made this document publicly accessible on Iberdrola's website<sup>5</sup>, in line with good market practices.

## Alignment with the Green Bond Principles

### Use of Proceeds



The net proceeds of the Bond will exclusively finance or refinance, in part or in full, projects falling under two Green Project Categories ("Eligible Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed, the Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.
- The Environmental Objectives are clearly defined, these are relevant for all the Eligible Projects and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental Benefits are clear and precise, they are considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.
- The Issuer has transparently communicated that there will be no refinancing.

#### BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all Eligible Projects.
- ⇒ Relevant environmental benefits are identified and measurable for all project categories.
- ⇒ The Issuer has transparently communicated that there will be no refinancing.

<sup>5</sup> [https://www.iberdrola.com/wcorp/gc/prod/es\\_ES/inversores/docs/Iberdrola\\_Framework\\_for\\_Green\\_Financing.pdf](https://www.iberdrola.com/wcorp/gc/prod/es_ES/inversores/docs/Iberdrola_Framework_for_Green_Financing.pdf)

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

- Nature of expenditures: CAPEX
- Location of Eligible Projects: Australia, Poland, Spain

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS															
Renewable Energy	<table border="1"> <thead> <tr> <th>Type of project</th> <th>Location</th> <th>Planned installed capacity (in MW)</th> </tr> </thead> <tbody> <tr> <td>Hybrid (onshore wind and solar PV)</td> <td>Port Augusta (Australia)</td> <td>317</td> </tr> <tr> <td>Solar PV</td> <td>Avoline (Australia)</td> <td>245</td> </tr> <tr> <td>Onshore wind</td> <td>Flyers Creek (Australia)</td> <td>145</td> </tr> <tr> <td>Onshore wind</td> <td>Korytnica II (Poland)</td> <td>50</td> </tr> </tbody> </table>	Type of project	Location	Planned installed capacity (in MW)	Hybrid (onshore wind and solar PV)	Port Augusta (Australia)	317	Solar PV	Avoline (Australia)	245	Onshore wind	Flyers Creek (Australia)	145	Onshore wind	Korytnica II (Poland)	50	<u>Climate Change Mitigation</u> Avoidance of CO <sub>2</sub> emissions	The Eligible Projects are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the Eligibility Criteria, and the location of each Eligible Project.  The Environmental Objective is clearly defined and set in coherence with sustainability objectives set in the international standards.  The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.  The Projects comply with the Technical Screening Criteria outlined in the First Delegated Act on Sustainable Activities for Climate Change Adaptation and Mitigation Objectives report on the EU Taxonomy published in June 2021 <sup>6</sup> .
	Type of project	Location	Planned installed capacity (in MW)															
	Hybrid (onshore wind and solar PV)	Port Augusta (Australia)	317															
	Solar PV	Avoline (Australia)	245															
	Onshore wind	Flyers Creek (Australia)	145															
	Onshore wind	Korytnica II (Poland)	50															
Distribution of Electricity	<p>The project aims at modernising the electricity distribution network owned and operated by the promoter to improve or maintain the quality of electricity supply, cater for new system users, and improve the overall efficiency of the Distribution System Operator (DSO).</p> <p>The project is geographically dispersed across eleven administrative regions in Spain: Galicia, Cantabria, Castilla La Mancha, Castilla y León, Comunidad Valenciana, Extremadura, La Rioja, Madrid, Murcia, Navarra, and País Vasco.</p> <p>The Issuer has provided V.E with a list of assets to be financed, which are the following:</p>	<u>Climate Change Mitigation</u> Development of renewable electricity sources Reduction of losses	The Eligible Projects are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the Eligibility Criteria, and the location of the Eligible Projects.  The Environmental Objective is clearly defined and set in coherence with sustainability objectives set in the international standards.  The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified in the reporting.  The Projects comply with the Technical Screening Criteria for the "Distribution of Electricity" category, outlined in the First Delegated Act on Sustainable Activities for Climate Change															

<sup>6</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI\\_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

ELIGIBLE CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
	<ul style="list-style-type: none"> <li>- New and upgrading: MV underground cables, MV Lines, LV Network, MV/LV substations, 132 kV cables, 132 kV lines, HV underground cables, HV lines, primary substations, communications, and automation.</li> </ul>		<p>Adaptation and Mitigation Objectives report on the EU Taxonomy published in June 2021<sup>7</sup>.</p> <p>The Issuer has confirmed to V.E that the assets will be aligned with the following Technical Screening Criteria outlined in the First Delegated Act on Sustainable Activities for Climate Change Adaptation and Mitigation Objectives report on the EU Taxonomy published in June 2021, which states:</p> <ul style="list-style-type: none"> <li>- (a) the system is the interconnected European system, i.e., the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems.</li> </ul>

<sup>7</sup> [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI\\_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

SDG Contribution

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

ELIGIBLE CATEGORIES	SDG	SDG TARGETS
Renewable Energy Distribution of Electricity		7.2 By 2030, increase substantially the share of renewable energy in the global energy.
Distribution of Electricity		9.1 Develop quality, reliable, sustainable, and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
Renewable Energy Distribution of Electricity		The projects are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

## Evaluation and Selection of Eligible Projects



- The process for Project Evaluation and Selection has been clearly defined and detailed by the Issuer, it is considered well-structured in all the evaluation and selection steps (including the proposal, selection, validation, monitoring of Eligible Projects). The roles and responsibilities are clear and include relevant internal expertise. The process is disclosed in the Framework and in the herewith SPO.
- Eligibility criteria (selection and exclusion) for project selection have been clearly defined and detailed by the Issuer for 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 advanced: it combines monitoring, identification, corrective, and preventive measures for all projects (see detailed analysis on pages 16 - 18).

### Process for Project Evaluation and Selection

The process is as follows:

- The evaluation and selection of Eligible Projects is performed and coordinated by Iberdrola's Finance and Treasury Department relying on representatives from several areas of the Iberdrola. The list of Eligible Projects is set up by the Business and Environmental teams, based on internal expertise, and submitted to the Finance Department for validation and selection. The Finance Department checks with the Sustainability Department, Legal and Corporate Social Responsibility (among others) if the projects are available and checks internally that double counting is avoided.
- The respect of use of proceeds requirement is verified by the Business and Financial teams.
- The project fulfilment with Iberdrola's Sustainable Development policies and the absence of any ESG matters are verified by the Sustainability and CSR teams (application of the exclusion criteria). Iberdrola's Finance Department is responsible for coordinating the whole process for identification and selection of Eligible Projects.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
  - At the beginning of each transaction, a project evaluation is carried out covering the entire lifecycle of the project (incl. conception, construction, and full operation time). Monitoring and control of the compliance of the selected projects with the Eligibility Criteria is performed at least twice a year for the plants included in any Green Instrument. If a project no longer complies with the Eligibility Criteria, the Finance and Treasury Department commits to reallocate the funds to another Eligible Project.
  - Iberdrola will monitor potential ESG controversies related to the selected projects, on a continuous basis throughout the lifetime of the projects. In case a project faces a controversy, the Finance and Treasury Department (in contact with the Sustainability Department), commits to reallocate the funds to another Eligible Project.
  - Selection decisions are internally documented by the Issuer.

## Eligibility Criteria

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

- The selection criteria are based on the description defined in Table 1 in the Use of Proceeds section for each Bond.
- The 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 principles defined in Iberdrola's Sustainable Development policies<sup>8</sup>.

### BEST PRACTICES

- ⇒ Eligibility and exclusion criteria for project selection are clearly defined and detailed for all of the projects.
- ⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility and exclusion criteria specified in the Framework throughout the life of the instrument and has provided details on content, frequency, duration and on procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the instrument and has provided details on frequency, content, and procedures in case a controversy is found on a project.

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<sup>8</sup> Sustainable Development Policy: [https://www.iberdrola.com/wcorp/gc/prod/en\\_US/corporativos/docs/general\\_sustainable\\_development\\_policy.pdf](https://www.iberdrola.com/wcorp/gc/prod/en_US/corporativos/docs/general_sustainable_development_policy.pdf)

## Management of Proceeds



- The process for the Management and Allocation of Proceeds is clearly defined and detailed and is publicly available in the Framework and in the hereby SPO.
- The allocation period will be 24 months or less.
- Net proceeds of the Bond will be placed in the Iberdrola's general treasury and 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 in the Framework.
- The Issuer has committed that as long as the Bond 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/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months or less.

## Management Process

- In case of refinancing operating projects, no dedicated tracking of funds will be conducted.
- In the case of future project expenditures, the Bond's proceeds will be managed through a dedicated tracking process aiming to ensure traceability.
- The Issuer has committed to allocating all proceeds to the Eligible Projects at settlement or within 24 months and has committed to using temporary placements for the balance of unallocated proceeds which do not include GHG intensive or controversial activities, in line with best market practices.
- In case of project divestment, Iberdrola commits to use the net proceeds to finance and/or refinance other Eligible Projects which are compliant with the current Framework as soon as the divestment is effective.
- Iberdrola is committed to performing an external audit of the already invested capital from the accounting records in order to check the correct use of proceeds.

### BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities or controversial activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework within 24 months or less.

## Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity. The report is externally verified, this verification will also be made publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material developments/issues/controversies related to the projects.
- The reporting methodology and assumptions used to report on environmental benefits of the Eligible Projects will be publicly disclosed.
- An external auditor will verify the tracking and allocation of funds to Eligible Projects until full allocation and in case of material changes. An external auditor will verify the indicators used to report on environmental benefits of the Eligible Projects until bond maturity.

## Indicators

The Issuer has committed to transparently communicate at Bond and Project level, on:

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

### REPORTING INDICATORS

- ⇒ A list of the projects financed and a breakdown of allocated amounts to Eligible Categories (in total amount and percentage)
- ⇒ Invested capital attributable to the Green Financing instrument (in EUR), incl. some individual information
- ⇒ Percentage of allocated proceeds vs. unallocated proceeds, if any (in %)
- ⇒ Share of financing vs. refinancing (in %)

The Issuer has committed to report on the environmental benefits on a pro rata basis of the Green Bond proceeds contribution to the total cost of the project and Iberdrola's ownership.

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

ELIGIBLE CATEGORIES	ENVIRONMENTAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Renewable Energy	Installed capacity (in MW) or lifetime extension (years) Attributable capacity (MW) or attributable lifetime extension (years) to the financing instrument Annual attributable renewable energy produced (MWh)	Annual attributable GHG emissions avoided (in tCO <sub>2</sub> e per year)
Distribution of Electricity	Cables and lines installed (number of kms) Distributed annual output (GWh/y and % of increase) Renewable energy power connected to the network (in MW and % of increase)	Annual energy savings (in MWh)

#### BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until bond maturity.
- ⇒ The Issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The Issuer will report on the allocation of proceeds and on environmental benefits at project level.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Projects.
- ⇒ The reporting methodology and assumptions used to report on the environmental benefits of the Eligible Projects will be disclosed publicly.
- ⇒ Environmental benefits and impacts will be externally verified until bond maturity.

## Contribution to sustainability

### Expected Impacts

The potential positive Impact of the Eligible Projects on environmental and social objectives is considered to be advanced.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Renewable Energy	ADVANCED	<p>Incorporating renewable energy is a key issue for energy providers. According to the International Energy Agency in 2020, about 11% of Poland's energy mix came from low-carbon sources, while Australia had an even lower share of about 8%. In both countries, most of the electricity is still generated using fossil fuels (Coal, Oil and Gas), so increasing the share of renewable energy is of great importance.</p> <p>According to the IPCC<sup>9</sup>, median emissions for onshore wind is at 11 gCO<sub>2e</sub>/kWh and a maximum at 56 gCO<sub>2e</sub>/kWh, whereas medium emissions for solar photovoltaic (utility) account for 48 gCO<sub>2e</sub>/kWh and a maximum for 180 gCO<sub>2e</sub>/kWh (solar PV is exempt from performing a Life Cycle of Emissions). The projects should avoid the creation of new negative impacts.</p> <p>The project is the best available technology in the sector to contribute to the claimed objective in the location/context of the project.</p>
Distribution of Electricity	ADVANCED	<p>According to the European Environment Agency<sup>10</sup>, the average emission intensity of total electricity generation in the EU-27 in 2020 is 230.7 gCO<sub>2</sub>/kWh, with Spain being below average at 156.4 gCO<sub>2</sub>/kWh, ranking 11<sup>th</sup>. The development of distribution assets together with monitoring tools is crucial to support the implementation of intermittent, grid-following, renewable energy to the grid in a technically secure way for meshed power systems<sup>11</sup>.</p> <p>These investments are made to improve grid interconnection to ensure secure, high quality electricity supply, reduce local congestion and improve interconnection between bidding zones, and promote the penetration of additional intermittent renewable energy capacity. This category does not entail any lock-in effects.</p> <p>By following the Delegated Act screening criteria, the category follows the best available standards to contribute to claimed objective in the context.</p>
OVERALL ASSESSMENT		ADVANCED

<sup>9</sup> IPCC report: [https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc\\_wg3\\_ar5\\_annex-iii.pdf](https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_annex-iii.pdf)

<sup>10</sup> EEA report: <https://www.eea.europa.eu/data-and-maps/indicators/overview-of-the-electricity-production-4/assessment>

<sup>11</sup> IEA report: <https://www.iea.org/news/rte-and-iea-publish-study-on-the-technical-conditions-necessary-for-a-power-system-with-a-high-share-of-renewables-in-france-towards-2050>

## 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 advanced.

### Environment Management Systems

Iberdrola ensures that all projects are managed under an Environmental Management System based on international procedures and standards that are audited by recognised independent agencies. The Issuer currently holds the ISO 14001 certification. This standard applies to the areas of generation, transport, distribution and marketing of products, management of offices, and general services. In particular, in 2020, 77.29% of energy was generated in certified facilities.

### Environmental Impact Assessment

EIA studies, which generally include a social impact assessment, are performed at Iberdrola's locations of operation prior to the construction of the facilities and in accordance with the current law in each of the countries and must be approved by the competent public authorities.

An EIA covering both construction and operation phases has been conducted. Specific environmental risks have been identified and dedicated environmental management plans are implemented at the project level. In addition, according to the Issuer, environmental incidents and anomalies are monitored and mitigation and compensation measures are implemented.

### Eco Design/End of life decommissioning

When conducting the EIA, the decommissioning of windfarm and solar PV components is considered. The regulated licences and permits for each project included requirements for ensuring the asset is suitably decommissioned. Through Wind-Europe and Sustainability Working Group of Solar Power Europe, Iberdrola sits on working groups dedicated to new sustainable systems for recycling wind turbine blades<sup>12</sup> and solar panels.

In terms of solar PV asset management, Iberdrola reports performing detailed EIA assessments (including ESG aspects) covering all product phases. As part of the EIA, the decommissioning of components of a PV power plant is considered. Iberdrola reports having management systems and controls in place to guarantee that all applicable regulatory requirements are adequately addressed to ensure compliance. Additionally, Iberdrola provides information about its membership in the Solar Power Europe Sustainability Working Group, which works to maximize the sustainability values (eco-design, life cycle assessment, sustainable supply chain, circular economy) of the photovoltaic sector. In addition, the Issuer reports that it participates in forums to learn from industry best practices to improve its environmental performance and product quality.

### Biodiversity

Ecological monitoring is conducted at project level according to Iberdrola's Flora & Fauna monitoring program and quantitative indicators are documented. Iberdrola has a dedicated Integration and Restoration Plan for the Landscape (PIRP) starting at the end of the construction phase and has defined a Compensation Programme for each Eligible Projects. In addition, employees and contractors receive trainings on biodiversity issues.

With regards to specific measures linked to the Distribution projects, as part of its Biodiversity Action Plan focusing on impact, prevention, reduction, and compensation activities<sup>13</sup>, Iberdrola publicly discloses measures undertaken to protect biodiversity. In particular for Spain, the following measures are reported<sup>14</sup>:

<sup>12</sup> <https://cordis.europa.eu/article/id/128476-new-sustainable-system-for-recycling-wind-turbine-blades/it>

<sup>13</sup> Iberdrola's Biodiversity Report: [https://www.iberdrola.com/wcorp/gc/prod/en\\_US/sostenibilidad/docs/Biodiversity\\_Report\\_2018\\_2019.pdf](https://www.iberdrola.com/wcorp/gc/prod/en_US/sostenibilidad/docs/Biodiversity_Report_2018_2019.pdf)

<sup>14</sup> Iberdrola website (October 2021): [Action Plans - Iberdrola](#)

- Fire prevention: Launching of the Flash Project aiming at optimizing the vegetation management and the maintenance of power-line corridors to reduce fire hazards.
- Risk reduction: Continued management of the Overhead Grid Project to adapt supports for avifauna protection, and ongoing adaptation of 234,000 poles in the distribution lines to avoid electrocution of birds by 2025<sup>15</sup>.
- Vegetation management: Implementation of the FLORA application to increase efficiency in the management of the vegetation on the streets with power lines.

As of October 2021, Iberdrola is updating its Biodiversity Strategy.

#### Pollution prevention and control

Dedicated procedures are in place. During construction phases, noise, dust, and vibrations are monitored and mitigation measures are reported to be implemented in case of irregularities and/or incidents. Iberdrola regularly performs audits on the construction site and technicians (employees and contractors) receive trainings on this topic.

To ensure control of SF<sub>6</sub> fugitive emissions leakages due to maintenance operations at the power distribution facilities, the Issuer reports to schedule maintenance works one year in advance. SAP records of leaks and gas recharged will be maintained at the individual equipment level.

The company has a target to reduce SF<sub>6</sub> emissions, which corresponded to 0.4% of Scope 1 in 2020. Iberdrola reports that specific plans for efficiency improvement and reduction of SF<sub>6</sub> emissions are in place, including for instance the installation of the first eco-efficient high voltage switches as part of the reform of a substation in the Murcia region of Spain. These switches use an alternative insulating gas mixture instead of SF<sub>6</sub>, eliminating the carbon dioxide equivalent (CO<sub>2</sub>) caused by insulating gas during the product's lifetime.

#### Adaptation to climate change and its major consequences

The Issuer reports to pay close attention to the solidity of its design criteria, operation and maintenance procedures, and measures required for their effectiveness and efficiency. Since certain plants/components are sensitive to climatic variables such as temperature, humidity, or extreme weather events, Iberdrola reports to analyse and define design-specific production optimisation. The site studies and equipment specifications are complemented by these two tools: one internal prediction system which includes extreme weather events forecasting (Meteoflow) and another tool to monitor and ensure the maximum lifespan of the facilities and optimise asset management (Domina). According to the Issuer, these tools make it possible to anticipate failures, improve availability and carry out less expensive repairs. In addition, Iberdrola states that it has internal policies and procedures that contribute to the resilience of its assets.

#### Management of environmental risks in the supply chain

Dedicated guides including environmental guidelines are reported to be available for contractors and suppliers. They are contractually obliged to comply with Iberdrola's dedicated plans including an environmental management plan, ecological systems compensation plan and emergency plan. Additionally, Iberdrola regularly performs on site suppliers' audits.

#### Health and Safety

Iberdrola performs, at the project level, periodic inspections to guarantee compliance with the HSE plan, and detect incidents and non-conformities. Penalties are reportedly applied in case of repeated incidents. In addition, employees and contractors receive safety training. Iberdrola monitors and documents several H&S indicators including working hours and the number of accidents (frequency and gravity). Medical posts with doctors and nurses are installed in each site.

To ensure a high level of safety, Iberdrola affirms to follow the principle that its employees may not, under any circumstances, perform risky work unless they have the necessary means and knowledge to mitigate or eliminate the

<sup>15</sup> Iberdrola report: [2020 SUSTAINABILITY SCORECARD \(iberdrola.com\)](https://www.iberdrola.com/2020-sustainability-scorecard)

effects of the risk. The Issuer reports that this principle of conduct is part of its Safety Policy and is supported by the Global Safety Department.

#### Respect of human and labour rights

Iberdrola has adopted a Code of Ethics applying to employees, suppliers, contractors, or business partners. Due diligence and monitoring systems linked to human rights violations risks as well as dedicated action plans are implemented. Additionally, internal and external whistleblowing systems are in place to report human and labour rights violations as well as grievance mechanisms to address local stakeholders' complaints. Audits are reported to be performed (including contractors and subcontractors) to guarantee Iberdrola's compliance with the Code of Ethics as well as the local legislation.

In 2020, following the human rights analysis carried out with independent experts, a gap analysis was performed to identify opportunities for improvement. Thanks to this analysis, Iberdrola has reviewed its operating procedures linked to the management and mitigation of potential impacts on local communities, developed guidelines linked to public consultations with communities, reviewed complaints, and grievance mechanisms to facilitate access to remedies for victims; strengthened the human rights due diligence in its supply chain.

#### Social factors in the supply chain

The selection of suppliers relies on the Corporate Purchasing procedures and tools, which are developed at corporate level. Suppliers are required to comply with the provisions of the Code of Ethics and are audited annually on human rights and safety issues. A dedicated whistleblowing system has been implemented for supplier in order to receive and address Iberdrola's Code of ethics violations within the supply chain.

The Issuer reports that one of its main objectives is to ensure that, by 2022, at least 70% of its main suppliers are subject to sustainable development policies and standards (including diversity and inclusion criteria). To this end, a supplier sustainability assessment model is being implemented and has been externally validated by Forética. The assessment of a supplier is reported to cover the supplier's performance in various areas, including the identification of targets related to the Sustainable Development Goals (SDGs), the management of climate change risks, the circular economy strategy, human rights due diligence, etc. The supplier must provide evidence and documentation for its statements and performance.

#### Business Ethics

Iberdrola has adopted a Code of Ethics applying to employees, suppliers, contractors, or business partners. Iberdrola's internal audit divisions are responsible for supervising the implementation of the company's internal control system covering, among others corruption, fraud and conduct constituting bribery.

Iberdrola reports that the application of the Code of Ethics is ensured by the Compliance Unit. In addition, there is a Compliance Department in each Country company and/or in the Head Office. Its responsibilities include the application of the "zero tolerance" principle towards unlawful acts and situations of corruption and fraud. Employees, suppliers, and shareholders have the possibility to report unlawful behaviours through internal channels.

# ISSUER



Iberdrola, S.A. is engaged in the generation, transmission, distribution, sale, and retail of electricity. The company generates electricity through several resources including hydroelectric, nuclear, coal and cogeneration. Iberdrola also stores, trades in and retails natural gas. In 2020, the company acquired Aalto Power, a French renewables company, for EUR 100 million and Avangrid's Board of Directors approved the acquisition of PNM Resources.

## Level of ESG performance

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

As of September 2021, Iberdrola displays an overall advanced ESG performance, ranking 5<sup>th</sup> in our "Electric & Gas Utilities" sector which covers 63 companies. Iberdrola's performance is considered advanced in the Environmental, Social and Governance pillars.

DOMAIN	COMMENTS	OPINION
Environment	<p><u>Iberdrola's performance on the Environment pillar is considered advanced.</u></p> <p>The company commits to all of the issues under review in the Environment domain. Iberdrola has set the goal of reaching global carbon neutrality by 2050 and reducing its emissions intensity to 50 gCO<sub>2</sub>/kWh globally by 2030. In addition, it has also set a goal of GHG emissions of absolute scope 1, 2 and 3, which has been approved by the Science-Based Target initiative. Iberdrola commits to reduce absolute Scope 1, 2 and 3 GHG emissions by 20% by 2030 from a 2017 base-year. In 2019, 83% of the production sites were covered by a certified environmental management system. In addition, almost 70% of its total installed capacity is from renewables. Comprehensive measures appear to be in place to protect biodiversity including biotope management plans.</p>	Advanced
		Robust
		Limited
		Weak
Social	<p><u>Iberdrola's performance on the Social pillar is considered advanced.</u></p> <p>Iberdrola's commitment to health and safety is backed by extensive measures including risk assessments and OHSAS 18001 certifications and an Occupational Safety and Health Policy.</p> <p>To prevent discrimination and promote diversity, Iberdrola reports to have allocated extensive measures in all of its sites including affirmative action programs, training and monitoring of salary disparities. The company's commitment to human rights is backed by permanent systems including internal and external audits, and external investigation of allegations.</p> <p>Iberdrola reports extensive measures to reduce fuel poverty and improve access to energy including social tariffs, rural electrification programs and customer assistance. Capacity building programs and social impact assessments are among the measures allocated to promote local</p>	Advanced
		Robust
		Limited

	<p>social and economic development. Lastly, Iberdrola reports transparently on taxes paid in all the countries where it operates.</p> <p>Iberdrola maintains to have a formalised commitment on responsible contractual agreements in its Corporate Governance System, its Stakeholder Relations Policy, and its Customer Relationship Management Report.</p>	Weak
Governance	<p><u>Iberdrola's performance on the Governance pillar is considered advanced.</u></p> <p>The Audit Committee plays a comprehensive role in overseeing internal and external controls, and now all CSR risks inherent to the company's business operations seem to be covered by its internal controls system. In addition, the company's CSR strategy is presented to investors covering relevant CSR issues namely climate change and H&amp;S. Moreover, 62% of the Board is considered independent and 38% of directors are women. Finally, climate change objectives are considered in the executives' variable remuneration.</p> <p>The company has issued a formalised commitment to preventing corruption in its Anti-Corruption and Anti-Fraud Policy and its Code of Ethics, there is a dedicated structure responsible of corruption issues. The company's compliance system is reported to work according to ISO 19600 Compliance management system. In addition, internal and external audits are conducted to ensure internal verification of the compliance with the company's Code of Conduct and to prevent corruption and anti-competitive practices, respectively.</p>	Advanced
		Robust
		Limited
		Weak

## Management of ESG Controversies

As of October 2021, Iberdrola faces six stakeholder-related ESG controversy, linked to three of the six domains we analyse:

- Business Behaviour, in the criteria of "Customer relations", "Social standards in the supply chain", "Corruption" and "Anti-competitive practices".
- Environment, in the criterion of "Protection of water resources".
- Community Involvement, in the criterion of "Social and Economic Development".

**Frequency:** On average, the controversies faced are considered "isolated"<sup>16</sup>; in line with the sector.

**Severity:** On average, the level of severity of the case, based on the analysis of the impact on both the Issuer and its stakeholders, is considered "significant"<sup>17</sup>; below the sector average.

**Responsiveness:** Iberdrola is considered overall "reactive"<sup>18</sup>; in line with the sector.

<sup>16</sup> VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

<sup>17</sup> VE scale of assessment: Minor / Significant / High / Critical.

<sup>18</sup> VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

## Involvement in Controversial Activities

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

- Fossil Fuel Industry (*major involvement*): Iberdrola has an estimated turnover from fossil fuels which is between 33% and 50% of total turnover. This turnover is derived from fossil fuel-powered electricity generation and the storage of natural gas.
- Nuclear Power (*major involvement*): Iberdrola has an estimated turnover from involvement in nuclear power which between 10% and 33% of total turnover. This turnover is derived from the generation of electricity from nuclear power and the provision of services to the nuclear power industry.

The Issuer appears to be not involved in any of the other 15 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, Pornography, Reproductive Medicine and Tobacco.

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

# METHODOLOGY

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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 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 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 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;<sup>19</sup>
- 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 reliable<sup>20</sup> 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

<sup>19</sup> 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.

<sup>20</sup> '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.

or Non-Government Organisations). 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).
- **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	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social



	<p>issues. A weak expected impact combined with an advanced to weak level of assurance of E&amp;S risk management or a limited expected impact with a weak level of assurance of E&amp;S risk management.</p>		<p>Bond Principles and/or of the Loan Market Association's Green Loan Principles.</p>
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## 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 not carried out any audit mission or consultancy activity for Iberdrola. No established relation (financial or commercial) exists between V.E and the Iberdrola. 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, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, 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 all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

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