

February 2019

## SCOPE

Iberdrola (the "Issuer") launched a Green Financing Program which aims at edging its potential forthcoming Green Instruments issuances, including green bonds (green use of proceeds bonds), green loans, green project finance and any other financial instrument to which an eligible asset or project, or a group of those, are allocated. Iberdrola has formalized its Framework for Green Financing" (the "Framework") to facilitate transparency, disclosure and integrity of Iberdrola's green financing initiatives.

Iberdrola is contemplating the issuance of a Green Perpetual Capital Securities (hereafter the "Green Hybrid Bond") under this Framework. This Framework has been complemented by additional information and commitments addressed by the issuer to Vigeo Eiris during the due diligence assessment conducted for this Opinion.

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Hybrid Bond proposed to be issued by Iberdrola to finance and refinance two Renewable Energy projects. Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") assessment methodology and the International Capital Market Association's Green Bond Principles ("GBP").

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

1. **Issuer:** we assessed the sustainability profile of Iberdrola, including
  - ▶ ESG performance, assessed in October 2018, through the complete process of rating and benchmark
  - ▶ Involvement in potential ESG controversies' and controversial activities as of today
2. **Issuance:** we assessed the consistency of the use of proceeds of the Bond, the contemplated Green Bond issuance (included within Iberdrola's Framework for Green Financing) and its alignment with the GBP, including the two selected Eligible Projects to be (re)financed with this Bond

Our sources of information are multichannel, combining data from our general rating database, information provided by the Issuer, press content providers and stakeholders, and complemented by interviews with Issuer's departments and managers, held via telecommunications software. We carried out our due diligence on the Wiking Project in February 2017, and on the East Anglia Project and the Framework in March 2018, updated on February 4, 2019.

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

## VIGEO EIRIS' OPINION

**Vigeo Eiris is of the opinion that the Bond considered by Iberdrola aligns with the Green Bond Principles. We express a reasonable assurance<sup>3</sup> (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability, which is likely to contribute to two United Nations' Sustainable Development Goals, namely Goal 7: Affordable and Clean Energy and Goal 13: Climate Action.**

1. **Issuer:** Iberdrola's global ESG performance is considered as advanced<sup>3</sup> and has improved since the previous review.
  - ▶ The Issuer ranks 5<sup>th</sup> out of 62 European companies rated in our "Electric and Gas utilities" sector. Iberdrola displays an advanced performance on the Environmental and Social pillars and a good 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.
  - ▶ Iberdrola is involved in occasional controversies regarding Environment and Business Behaviour domains. The severity ranges from minor to high. The company is overall reactive: it reports transparently in most cases. Regarding the 15 controversial activities screened under our methodology<sup>4</sup>, Iberdrola has a major involvement in Fossil Fuels and Coal, a minor involvement in Nuclear power (due to nuclear generated electricity) activities, and no involvement in any of the 12 other controversial activities.

<sup>1</sup> This opinion is to be considered as the "Second Party Opinion" described by the International Capital Market Association ([www.icmagroup.org](http://www.icmagroup.org)).

<sup>2</sup> The Bond is to be considered as the potential forthcoming bond, which issuance is subject to market conditions.

<sup>3</sup> Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section of this document):

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

Level of Assurance: Reasonable, Moderate, Weak.

<sup>4</sup> The 15 controversial activities 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.

2. **Issuance:** Iberdrola has formalized the main characteristics of its Green Hybrid Bond within its Framework, that the company has committed to make publicly available on its website<sup>5</sup>, in line with good market practices.

We are of the opinion that the contemplated Green Hybrid Bond is coherent with Iberdrola's main sustainability priorities and sectorial issues, and contributes to achieve its sustainability commitments

- ▶ The net proceeds of the Green Hybrid Bond issuance will be used to finance and refinance part of two Renewable Energy projects, namely East Anglia ONE and Wikingen offshore wind farm projects respectively located in England and in Germany, which contribute to climate change mitigation and energy transition objectives.

These objectives associated with the Eligible Projects are precise, measurable and relevant. The expected environmental benefits will be assessed and quantified by the Issuer.

- ▶ The governance and the process for project categorisation, evaluation and selection is considered to be good, and relies on explicit eligibility criteria (selection and exclusion). The identification and management of environmental and social risks associated with the selected Eligible Projects 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 process and commitments are good, covering both funds allocation and environmental benefits of the Bond (outputs 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.

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

- A pre-issuance consultant review, i.e. the hereby Second Party Opinion delivered by Vigeo Eiris on the sustainability credentials of the Bond, based on pre-issuance commitments and covering the key features of the Bond.
- 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 Bond.

*This Opinion is valid as of the date of issuance limited to Iberdrola's Green Hybrid Bond to be issued in February 2019.*

Paris, February 4, 2019.



**Paul COURTOISIER**  
 Head of Sustainable Bonds services  
 Sustainability Consultant

<sup>5</sup> <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-bonds>

## DETAILED RESULTS

### Part I. ISSUER

Iberdrola 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.

#### Level of Iberdrola's ESG performance

As of October 2018, Iberdrola's global ESG performance is considered as advanced and has improved since the previous review (October 2016).

Domain	Comments	Opinion
Environment	Iberdrola's performance in the Environment domain is considered as advanced, above the sector average, which is consistent with the previous review.	Advanced
	The Company displays an advanced environmental strategy and specific targets have been set with regard to CO2 emissions and to development of renewable energy. The share of revenues covered by an environmental management system is significant. The Company's carbon factor is relatively low due to significant involvement in CCGT and CHP, in the second quartile of the sector.	
	The company has set quantified targets in terms of developing renewable energy, with an investment of EUR 11.5 million in renewable energies and an installed capacity of 7.1 GW expected to be installed during the 2018-2022 period, including the 714 MW East Anglia I offshore wind farm. In 2017, the installed capacity of renewable sources (29,112 MW) represented 60% of total installed capacity, which stands among the top quartile of the sector, and the share of energy generation from renewable sources stood at 35%, above the sector average.	Good
	Iberdrola set ambitious quantitative targets to reduce its carbon intensity by 2030 and 2050. The group has a major involvement in technologies developed to reduce air emissions (SOx, NOx, Particulates, Mercury) and has invested in R&D for the development of carbon capture and storage and new combustion techniques. Its SO2 and NOx emissions normalised to production have decreased continuously over the past five years. Iberdrola's particles emissions linked to thermal energy production decreased but not continuously by 18% between 2015 and 2017.	Limited
	Comprehensive measures are reported to be allocated to protect biodiversity and to prevent pollution and the specific volume of total radioactive nuclear waste produced decreased by 47% between 2013 and 2017.	
	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.	Weak
Social	Iberdrola's performance on the Social pillar is advanced, above the sector average and has improved since the last review. The main improvements are observed Career management, Non-discrimination and diversity, and Access to energy.	Advanced
	Regarding the Human Resources domain, the performance is now advanced. Iberdrola reported that 100% of its employees received training, and the majority had performance interviews. The number of training hours per employee has increased over the past three years. As for health & safety issues, most of Iberdrola's operations are covered by OHSAS 18001 certified system, and extensive measures are reported to be allocated, including for contractors and sub-contractors.	
	Iberdrola's performance in the Human Rights domain remains advanced. Extensive measures are now implemented in the majority of operations to prevent discrimination. Furthermore, the share of women in management positions has increased since 2013 and 77.8% of the employees are covered by trade union. The company has issued a formalised commitment to freedom of association and the right to collective bargaining in its Corporate Governance System and its Policy on Respect for Human Rights, but its unclear whether monitoring measures are in place.	Good
	Iberdrola's performance in the Community Involvement domain is advanced, above the sector average. Iberdrola implemented extensive measures to reduce fuel poverty and improve access to energy. It reports to conduct social impact assessments as well as social and infrastructure development programmes. Furthermore, the Company is transparent on tax payments.	Limited
	Iberdrola maintains its advanced performance on the integration of social factors in the supply chain. With regards to the outcome of measures to insure responsible customer relations, service continuity has increased since 2015 while customer satisfaction decreased.	Weak
Governance	Iberdrola's performance in the Corporate Governance domain is good and stands above the sector average. The Board and its committees display a high level of independence, and the Board oversees CSR issues. The internal control system has a comprehensive role and the Audit Committee oversees CSR risks. The ratio of CEO compensation vs. average employee salary has decreased since 2015 and executive remuneration is linked to targets set for customer satisfaction. However, major voting rights restrictions have been identified.	Advanced
		Good
	Iberdrola's performance in the Business Ethics domain has decreased and is now limited, in line the sector average. The Company set up internal controls to prevent corruption and anti-competitive practices. However, the presence of occasional controversies related to corruption and price fixing, on which the Company is transparent on all cases apart from the one on price fixing, contributes to lower the score on this domain.	Limited
		Weak

Iberdrola is included in the following Vigeo Eiris Indices (as December 1<sup>st</sup>, 2018):

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

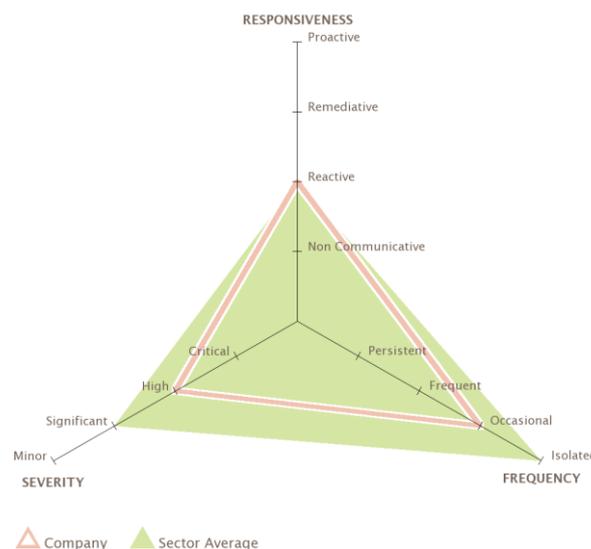
### Stakeholder-related ESG controversies

**Frequency:** As of today, Iberdrola faces occasional allegations: the company is involved in 6 stakeholder-related ESG controversies, on several domains:

- Environment, namely on Industrial accidents and pollution (1 case)
- Business Behaviour, namely on Customer relations, Corruption, and Anti-competitive practices (5 cases)

**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 1 case of minor severity, 3 cases of significant severity and 2 cases of high severity (related to Customer relations and Corruption). No critical cases.

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



### Involvement in controversial activities

Regarding the 15 controversial activities screened under our methodology, 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.

## Part II. ISSUANCE

### Coherence of the issuance

**We are of opinion that the contemplated Bond is coherent with Iberdrola's main sustainability priorities and sectorial issues, and contributes to achieve its sustainability commitments.**

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 among the top quartile of the renewable energy producer amongst European utilities. 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 issuers 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, 2 Green Hybrid Bonds and contracted 1 Green Loan so far, in total representing 8,150 m€, making it the most frequent and biggest worldwide corporate issuer so far.
- 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.

By issuing a Green Hybrid Bond to finance and refinance Renewable Energy projects, Iberdrola coherently responds to its commitment in terms of development of clean energy, as well as it aligns to one main issue of the sector in terms of environmental responsibility.

### Use of proceeds

**The net proceeds of the Bond issuance will be used to finance and refinance part of two Renewable Energy projects, namely East Anglia ONE and Wikinger offshore wind farm projects respectively located in England and in Germany, which contribute to climate change mitigation and energy transition objectives.**

**These objectives associated with the Eligible Projects are precise, measurable and relevant. The expected environmental benefits will be assessed and quantified by the Issuer.**

As defined in the whole Issuer's Framework, 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.

For this Green Hybrid Bond issuance, Iberdrola intends to use the proceeds to finance and refinance part of two selected Renewable Energy projects:

- East Anglia ONE, managed by ScottishPower Renewables (100% Iberdrola), is the part of an offshore wind farm located 85 kilometers from East Anglia in England, and occupying an area of 300 square kilometers in the North Sea. The project is still under construction and consists of up to 102 Siemens wind turbines and foundations, each rated at 7 megawatts, leading to an overall generating capacity of up to 714 megawatts to provide clean energy to nearly 600,000 British homes from 2020.
- Wikinger, managed by Iberdrola Renewable Offshore (100% Iberdrola), is an offshore wind farm located 75 kilometers from Baltic Sea in Germany, and occupying an area of 34 square kilometers in the Baltic Sea. The project started end of 2017, adding 350 megawatts of capacity to the system with 70 Adwen wind turbines and foundations, and supplies renewable energy to 350,000 homes, representing more than 20% of the power used by the state of Mecklenburg-West Pomerania.

These projects will contribute to climate change mitigation objectives due to production of renewable energy and avoidance of CO<sub>2</sub> emissions.

The share of refinancing will be 25%.

**In addition, Vigeo Eiris considers that the selected Eligible Projects are likely to contribute to two United Nations Sustainable Development Goals.**



*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 for all. More precisely, SDG 7 targets by 2030 include:

- 7.2 Increase substantially 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 Projects, the Issuer is contributing to the UN SDG 7, with regards to the above-mentioned targets.



*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 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

**The governance and the process for project categorisation, evaluation and selection is considered to be good, it is documented an relevant.**

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 explicit eligibility criteria (selection and exclusion)**

- Use of proceeds criteria based on the definition of the Eligible Projects category (Renewable Energy project).
- 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.
- Iberdrola's commitment to ensure 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 following principles defined in the Issuer's CSR and Sustainability policies<sup>6</sup>:
  - 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.

<sup>6</sup> Iberdrola's Sustainability Policy [www.iberdrola.es/webibd/gc/prod/en/doc/responsabilidad\\_sostenibilidad.pdf](http://www.iberdrola.es/webibd/gc/prod/en/doc/responsabilidad_sostenibilidad.pdf)

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

- Iberdrola has implemented appropriate measures to address most of the ESG risks associated with both selected Eligible Projects. 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.
- Regarding both projects, Iberdrola states that there has not been any litigation in material ESG matters which is material in the context of the group since 2017, in its yearly register document (“Financial Statements”).
- No ESG controversy related to the selected Eligible Projects have been identified.

#### Management of proceeds

**The rules for the management of proceeds are clearly defined by the Issuer and would enable a transparent allocation process.**

- The net proceeds of the 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.
- Iberdrola will track investments of the proceeds allocated to the selected Eligible Projects and commits to avoid double counting with other green instruments proceeds. This tracking is integrated into the annual financial reporting process.
- For this Bond issuance, Iberdrola expects to fully allocate the 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 process and commitments are good, covering both funds allocation and environmental benefits of the Bond (outputs 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.**

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 selected Eligible Projects. The Issuer commits to transparently report on the Bond, until the maturity date, on:

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

Outputs reporting indicators	Impacts reporting indicators
<ul style="list-style-type: none"> <li>- Installed capacity (in MW)</li> <li>- Attributable capacity (in MW)</li> <li>- Annual attributable renewable energy produced by the wind farm (in MWh)</li> </ul>	<ul style="list-style-type: none"> <li>- Annual attributable GHG emissions avoided (in tCO<sub>2</sub>e)*</li> </ul>

*\* 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.*

### 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 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 Bond proceeds, collected at project level and potentially aggregated at 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	Convincing commitment; significant and consistent evidence of command over the issues. Reasonable level of risk management.	Moderate	Compatibility or partial convergence with the prescribed principles and objectives of the evaluation framework
Limited	Commitment to the objective of social responsibility has been initiated or partially achieved; fragmentary evidence of command over the issues. Limited to weak level of risk management.	Weak	Lack or unawareness of, or incompatibility with the prescribed principles and objectives of the evaluation framework
Weak	Commitment to social responsibility is non-tangible; no evidence of command over the issues. Level of insurance of risk management is weak to very weak.		



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
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Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

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