

September 2017

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion on the sustainability credentials and management of the Green Bond (hereafter the "Bond") considered to be issued by Gas Natural Fenosa (hereafter "GNF" or "the Issuer"), according to Vigeo Eiris' Environmental, Social and Governance (ESG) assessment methodology, in line with the Green Bond Principles guidelines 2017.

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

- Issuer: document and interviews-based evaluation of GNF's ESG performance, controversies and ESG risks management.
- Issuance: analysis of the coherence between the Bond framework and GNF's strategy and commitments, and document-based evaluation of the Bond framework, including:
 - ▶ analysis of the process for categorisation and selection of projects eligible to the use of proceeds; of the evaluation of environmental / ESG risks and impacts of the eligible projects.
 - ▶ assessment of the reporting systems dedicated to information, monitoring and control related to fund allocation, to management and impacts of financed projects.

Vigeo Eiris' sources of information are gathered from our rating database, GNF data, press content providers and stakeholders. Vigeo Eiris has carried out its due diligence from October 14th 2016 to June 22nd 2017; complemented by interviews with involved managers held at the GNF's offices in Madrid (Spain).

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

VIGEO EIRIS' OPINION

Vigeo Eiris confirms that the Bond intended by Gas Natural Fenosa is a "Green Bond" aligned with the Green Bond Principles guidelines.

Vigeo Eiris reaches a reasonable³ level of assurance on the Bond contribution to sustainability:

- **Issuer : GNF displays an overall robust³ ESG performance at corporate level (see Part I, on page 3).**
 - ▶ The Issuer ranks 9th in the Vigeo Eiris "Electric and Gas utilities" sector which covers 48 companies. GNF displays advanced performance on the Environmental and Social pillars and a robust performance on the Governance pillar (see page 3 for details).
 - ▶ Vigeo Eiris' level of assurance that ESG risk factors of GNF are adequately managed is reasonable, including reputational, human capital, operational and legal risks.
 - ▶ GNF is involved in 7 stakeholders-related controversies⁴ regarding different ESG domains (see below). The overall frequency of the allegations is occasional (mostly isolated allegations), we are of opinion that their overall severity is high (ranging from minor to high), GNF appears reactive and its overall ability to mitigate ESG controversies risks appears as limited.
 - ▶ Regarding the 9 disputable activities analysed by Vigeo Eiris⁵, GNF has a major involvement in Nuclear energy (due to nuclear generated electricity).

¹ Second Party Opinion – Green Bond Principles: This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles (2017 edition in the 'External Review' section). The Green Bond Principles include the Voluntary Process Guidelines for Issuing Green Bonds and the Guidance for Borrowers of Social Bonds (see: www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-Bonds/)

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

³ Definition of Vigeo Eiris' scales of assessment (as detailed on the last page of this document):

Level of Performance: Advanced, Robust, Limited, Weak.

Level of Assurance: Reasonable, Moderate, Weak.

⁴ The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of GNF or its financial obligations.

⁵ The 9 disputable activities analysed by Vigeo Eiris are: Alcohol, Animal maltreatment, Armament, Hazardous chemicals, Gambling, Genetically Modified Organisms in food & feed, Nuclear energy, Sex industry, Tobacco. The disputable activities research provides screening on companies

- **Issuance : The Issuer's Green Bond framework is robust (see Part II, on page 5), fully consistent with the company environmental strategy, in line with the Green Bond Principles.**
 - ▶ Use of Proceeds: the net proceeds of the Bond issuance is said to be used to finance projects related to wind & solar renewable energy generation, with clear expected environmental benefits on climate change mitigation, promotion of clean technology and clean energy transition, clear contribution to GNF's corporate environmental targets, and in line with two U.N. Sustainable Development Goals. Vigeo Eiris considers that the categories of eligible projects, the objectives and expected environmental benefits appear robust.
 - ▶ Process for project evaluation and selection: the processes for categorisation, evaluation and selection of the eligible projects appear clearly defined and transparent, with relevant and exhaustive eligibility criteria (and excluding projects categorized as facing "very high risk controversy" -relating to ESG matters in RepRisk monthly report- and subjected to a final and condemnatory sentence). The process defined by the Issuer enables a structured and transparent governance, in line with the Green Bond Principles requirements.
 - ▶ Management of proceeds : the rules and commitments for the management of the proceeds are documented and enable transparence, in line with the Green Bond Principles guidelines. The proceeds will be managed within the Issuer's treasury liquidity portfolio in cash or other short term and liquid instruments that do not include GHG intensive nor disputable activities.
 - ▶ Monitoring & Reporting : the Issuer has committed to report annually and publicly on the Green Bond management and results, until the net proceeds are fully allocated and as necessary afterwards in the event of new developments. The reporting commitments cover the Use of proceeds (projects, quantitative environmental benefits), the exclusion criteria, legal process related to the breach of ESG criteria and the management of proceeds (funds). Vigeo Eiris considers that the monitoring and reporting commitments appear robust, in line with the Green Bond Principles guidelines.

Moreover, the Issuer has committed that its Green Bond issuance is to be supported by external reviews, as recommended by the Green Bond Principles voluntary guidelines :

- ▶ Consultant review : The hereby Vigeo Eiris' Second Party Opinion, as sustainability consultant, on the responsible credentials of the Bond, based on pre-issuance commitments, covering (but not limited to) the key features of the Bond, in line with the Green Bond Principles.
- ▶ Verification : annual external audit by qualified parties (third party ESG and/or financial audit) to verify the management of the proceeds (funds) and quantitative environmental benefits (metrics), until the full allocation of the net proceeds and as necessary afterwards in the event of new developments.

This Opinion is valid as of the date of issuance limited to Gas Natural Fenosa's 2017 first Green Bond.

Paris, September 27th 2017

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris hasn't executed any audit nor consultancy activity for GNF until so far and no established relationship (financial or other) exists between Vigeo Eiris and GNF.

This Opinion aims to explain investors why the Green Bond intended by the Issuer is considered to be sustainable and responsible, based on the information which has been made available to Vigeo Eiris and which has been analyzed by Vigeo Eiris. GNF has committed to made public the Green Bond Framework one week after the bond issuance at the latest and in all respects consistent with the information provided to Vigeo Eiris for this Opinion. The Opinion will only be valid if the issuer respects this commitment. Providing this Opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Bond. GNF is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The Opinion delivered by Vigeo Eiris neither focuses on financial performance of the Green Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this Opinion either to make investments decisions or to make any kind of business transaction. The Opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of GNF or its financial obligations.

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

DETAILED RESULTS

Part I. ISSUER

Level of GNF's ESG performance

As of October 2016, GNF's overall approach to manage ESG related issues is robust and remained stable since the previous review of the company.

Domain	Comments	Opinion
Environment	GNF achieves an advanced performance in the Environmental pillar and stands above the sector average. More than 90% of its industrial activities have been certified ISO14001. GNF also appears to have implemented environmental risk assessments, training, pollution control audits and emergency plans to prevent accidental pollution. Assets have been replaced in order to reduce energy consumption and air emissions from transmission and distribution activities, while the fossil-based generation production has been improving year-by-year in terms of environmental impact. The carbon factor was among the highest in the sector.	Advanced
		Robust
		Limited
		Weak
Social	<p>GNF's performance in the Social pillar is advanced. The performance in the Human Rights domain is advanced and above the sector average. With awareness-raising, training programmes and dedicated internal audits, GNF shows a comprehensive approach to preventing human rights violations. Regarding its management of labour rights issues, GNF is conducting on-going monitoring of labour rights risks and external audits for violations to its commitment in this field. Finally, GNF's shares of women in the management and disabled staff have registered a continuous increase over the past 3 years.</p> <p>GNF's performance in the Community Involvement domain is robust, and is above sector average. Several initiatives are in place including infrastructure development programs, social impact assessments and grievance mechanisms. In addition, GNF is transparent on its tax payments. Moreover, GNF has reported on grids extensions to promote access to energy in developing countries, or dedicated tariffs for its own vulnerable customers.</p> <p>GNF's performance in the Human Resources domain is advanced and stands above the sector average. 80% of the employees are covered by collective agreements on working conditions and GNF has formalized the skill requirements for its job positions, offers regular performance assessment and career counselling interviews to its staff. Indicators on the frequency and severity of accidents show a decrease over the past 3 years. Finally, several measures (reduction of labour time, internal mobility, re-training and outplacement services) are reported to be in place to deal with eventual restructuring program.</p>	Advanced
		Robust
		Limited
		Weak
Governance	<p>GNF achieves a robust performance in the Governance pillar. Its performance in terms of Business Behaviour is advanced. GNF disclosed information on customers rights, providing training to sales staff and setting service interruption prevention measures. Regarding prevention of corruption and anti-competitive practices, GNF appears to have implemented a confidential reporting system and to conduct both internal and external audits. GNF is transparent on its lobbying expenses and seems to have set up support for its suppliers and to integrate social clauses in its contracts. Finally, GNF agreed to pay penalties for poor service in 2016.</p> <p>GNF's performance in the Corporate Governance domain is limited due to low integration of CSR in shareholder's information and on executive remuneration, however in line with the sector average. The Board and its related committees display a low level of independence. In addition, apart from bonuses, GNF does not provide much details on executive remuneration. No major voting rights restriction has been identified and safeguards are in place to monitor transactions between GNF and its major shareholders. The internal controls system covers the standard issues related to financial, operational, and legal risks and the Audit Committee has a comprehensive role in overseeing internal and external controls.</p>	Advanced
		Robust
		Limited
		Weak

GNF is included in the following Vigeo Eiris Indices, as the date of publication:

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

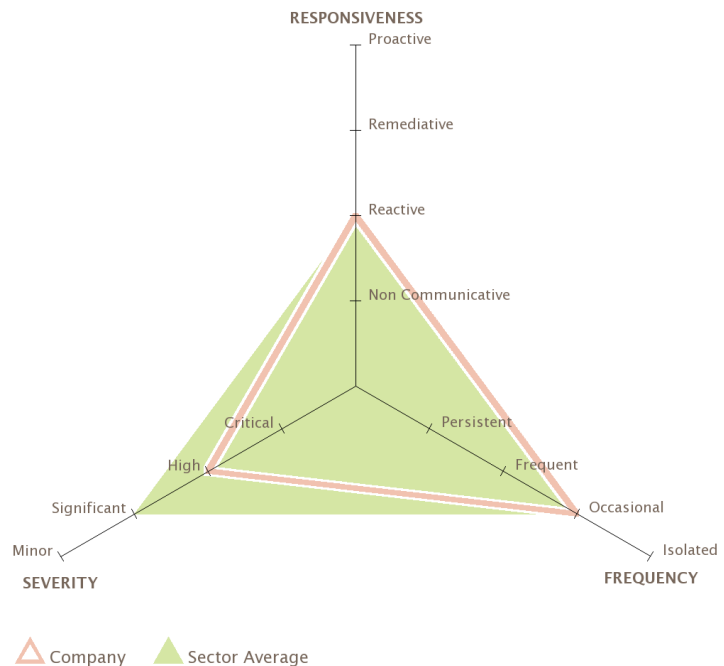
Stakeholder-related ESG controversies and Involvement in disputable activities

- **Frequency:** As of September 27th 2017, GNF is involved in 7 **stakeholders-related controversies**, located in Europe and in Latin America. The frequency of these controversies ranges from isolated to occasional. The controversies are related to several ESG domains:

- Business Behaviour, especially anti-competitive practices, information to customers and customers relations
- Environment, especially on industrial accidents pollution, and biodiversity
- Community Involvement, especially social and economic development and access to energy

- **Severity:** The level of severity of the controversies ranges from minor to high, based on the analysis of their impact on the company and its stakeholders. In particular, GNF faces 2 controversies of high severity (related to anti-competitive practices and information to customers).

- **Responsiveness:** GNF is overall reactive: the company is reactive to all controversies and proactive to one of them (including all cases with high severity).



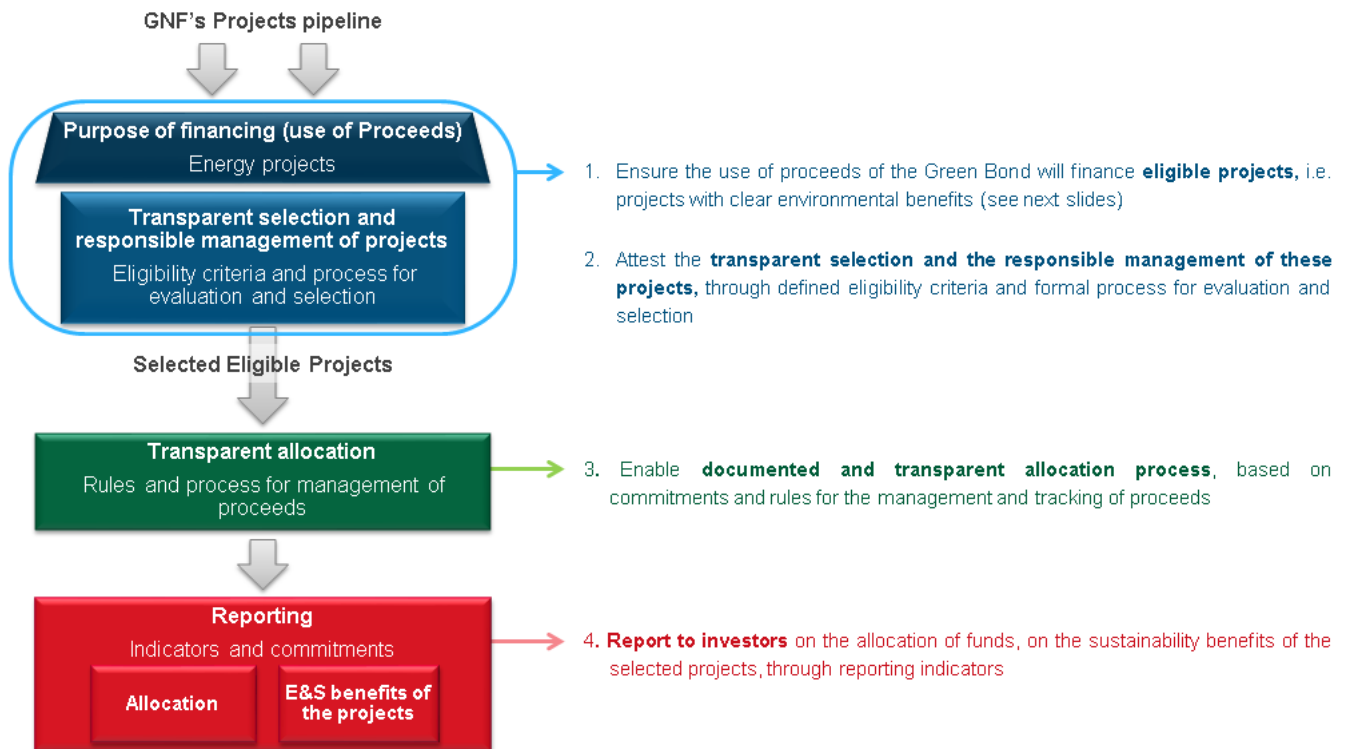
Regarding the **disputable activities**

analysed by Vigeo Eiris, GNF has a major involvement in 1 disputable activity under scrutiny (Nuclear activity) :

- GNF has an interest in Centrales Nucleares Almaraz-Trillo (CNAT), it owns 34.5% of the Trillo nuclear power station, and also owns 11.3% of the Almaraz I and II nuclear reactors.
- GNF has an estimated turnover from involvement in generation of nuclear generated electricity which is between 0-5% of total company turnover.
- The proportion of the electricity generation mix represented by Nuclear power is 3.9% (2016).

GNF is not involved in any of the other 8 disputable activities analysed by Vigeo Eiris.

Part II. ISSUANCE



Coherence of the issuance

As a major energy producer and supplier company, GNF is committed to integrate an increasing share of renewable energy in its overall capacity generation of electricity and to reduce its GHG emissions, with targets that are consistent with the low-carbon transition to limit global warming to less than 2°C by 2100 compared to preindustrial era.

- GNF intends to reduce by 26% its GHG emissions (scopes 1 and 2) in 2025 (vs. 2012) and to reach an emission factor of 278 tCO₂eq/GWh by 2025.
- According to its Strategic vision 2016-2020, GNF strategy is also to increase the power generation facilities by 3.5 GW, of which 2.5 GW will be in renewable energy.
- GNF is committed to play a key role in terms of reduction of GHG emissions through the development of renewable energies, and to reach carbon neutrality by 2050.

Based on GNF's publicly disclosed environmental commitments and on the Issuer's Green Bond Framework, Vigeo Eiris considers that the intended Green Bond purpose is in line with GNF's Corporate strategy 2016-2020 priorities and vision. The environmental benefits from the Green Bond projects is expected to contribute to around 10% to 12% of the above Corporate environmental targets, participating to the company's efforts toward green energy transition.

Vigeo Eiris considers that GNF's Green Bond framework is coherent with GNF publically disclosed strategic priorities and that it contributes to achieve its commitments and objectives.

Vigeo Eiris reaches a reasonable level of assurance on GNF capacity to integrate relevant issues in terms of environmental responsibility.

Use of proceeds

The net proceeds of this Green Bond will be used to finance, in whole or in part, new projects (since 2016) located in the European Union, and falling under the following categories of eligible projects :

1. Renewable energy generation projects : wind power.
2. Renewable energy generation projects : solar energy.

The definition of each category of eligible projects, related objectives and expected environmental benefits, have been evaluated by Vigeo Eiris in the table below. Eligible projects will meet a set of eligibility criteria defined and assessed by GNF, evaluated by Vigeo Eiris.

Eligible Projects' categories	Definition	Objectives	Sustainability benefits	Vigeo Eiris' Opinion
Renewable energy generation: wind power	Financing of, or investment in the development, construction, installation and maintenance of wind power generation units, in particular : <ul style="list-style-type: none"> - Investment of approx. 700M€ in mainland Spain resulting from the recent auction conducted by the Gov. of Spain, with generation capacity awarded to GNF of 667 MW and involving CO2 avoidance estimated at 600 ktCO2eq/year - Investment of approx. 36,5M€ in Canary Island, with generation capacity of some 30 MW and involving CO2 avoidance estimated at 60 ktCO2eq/year 	To produce low carbon energy To improve the energy mix of GNF To reduce the necessity and load factor of the fossil fuel generation	Climate change mitigation GHG emissions avoidance or reduction Clean Energy Increase of the share of renewable energy in the global energy mix	The definition of the categories of eligible projects are clear, relevant and precise. The environmental objectives and expected environmental benefits are clear, relevant, precise and measurable, for all categories
Renewable energy generation: solar energy	Financing of, or investment in the development, construction, installation and maintenance of solar power generation units (photovoltaic), in particular <ul style="list-style-type: none"> - Investment of approx. 165M€ in mainland Spain resulting from the recent auction conducted by the Gov. of Spain, with generation capacity awarded to GNF of 250 MW of Solar PV and involving CO2 avoidance estimated at 130 ktCO2eq/year 			

Vigeo Eiris considers that the defined categories of eligible projects, their intrinsic objectives and expected environmental benefits are clearly formalized and transparent, in line with the Green Bond Principles requirements.

Additionally, Vigeo Eiris considers that the expected environmental benefits have a positive contribution to sustainability, in line with several United Nations Sustainable Development Goals (U.N. SDGs) :

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



The UN SDG 7 consists in ensuring universal access to affordable, reliable, sustainable and modern energy, with targets by 2030 on the share of renewable energy in the global energy mix and the improvement of energy efficiency.

By using the Green Bond proceeds to finance eligible projects related to the defined eligible categories, GNF is contributing to the UN SDG 7 targets, in particular to the UN target to increase substantially the share of renewable energy in the global energy mix by 2030, to promote investment in energy infrastructure and clean energy technology by 2030.

Contribution to achieving the UN SDG 13. Climate Action



The UN SDG 13 consists in taking action to combat climate change and its impact. Electric and Gas Utilities companies can contribute to this goal by investing in climate-smart technology in order to reduce or mitigate climate induced change, by reducing GHG and atmospheric emissions.

By using the Green Bond proceeds to finance eligible projects related to the defined eligible categories, GNF is contributing to the UN SDG 13, in particular to the UN target 13,1 (avoid/reduce direct GHG emission).

Vigeo Eiris considers that the defined categories of eligible projects, their intrinsic objectives and expected environmental benefits are in line with two U.N. SDGs : 7. Affordable and clean energy; 13. Climate Action.

Process for project evaluation and selection

The Issuer is committed to attest the transparency and efficiency of the selection process and the responsible management of the proceeds and financed projects, through eligibility criteria defined in the Issuer's Green Bond framework. Vigeo Eiris has assessed this framework, using its evaluation methodology based on international and sectors standards, in line with the Green Bond Principles guidelines.

- The process is formalized, transparent and relies on relevant and exhaustive criteria:
 - ▶ The overall process and criteria for the project evaluation and selection is described by the Issuer in its Green Bond Framework, in line with GNF's commitments and internal processes. The Issuer has committed to make it publicly available on its corporate website and through the Second Party Opinion publication. The Issuer has also committed that each eligible project will be publicly documented and selected based on these eligibility criteria.
 - ▶ To be eligible, projects must correspond to one or several of the defined categories of eligible projects (wind power and solar power renewable energy generation), in line with GNF's strategic environmental priorities.
 - ▶ Exclusion criteria: the Issuer has committed to exclude from the Green Bond any eligible projects meeting the two following conditions: (i) being rated as "very high risk controversy" relating to ESG matters in RepRisk monthly report, and (ii) subjected to a final and condemnatory sentence.
- The Issuer's evaluation and selection process is clear and reasonably structured in terms of governance:
 - ▶ The Issuer has created a Green Bond Committee (or "Committee") in charge of the overall Green Bond process: definition, project evaluation and selection, management of the proceeds and of the eligible projects, and reporting. This Committee first selects a list of potential eligible projects from a pool of potential GNF investments; then it evaluates their compliance with the defined eligibility criteria, in order to select a limited number of projects, and to reject projects subjects to the exclusion criteria.
 - ▶ The process for project evaluation and selection is based on relevant internal expertise and internal roles and responsibilities are clearly defined. We consider that the ownership and the competence are robust. The Committee gathers managers from the key GNF's internal directions involved in the Green Bond process (Financial, Environment and Social Assessment, and CSR departments). It gathers skills and competences covering most issues related to the management of the Green Bond, and when relevant it can request external expertise from other departments or from external consultants.
 - ▶ The Committee will meet at least once a year, to decide, manage and review the eligible projects and the Bond proceeds. The traceability is ensured throughout the process, using documented meeting minutes.

Vigeo Eiris considers that the process for projects evaluation and selection is clearly defined and is transparent, with a structured governance, and relevant eligibility criteria, in line with the Green Bond Principles guidelines.

Beyond the Green Bond Principles, in line with international standards, the Issuer has committed to integrate additional environmental, social and governance (ESG) factors in the process for project evaluation and selection :

- ▶ Environmental factors, including integrated environmental strategy of the project, reduction of natural resource consumption and of environmental externalities generated by the projects, atmospheric emissions, accidental pollution prevention and control, biodiversity conservation, management of end of life equipment and infrastructures.
- ▶ Social and community factors, including respect of fundamental human and labour rights, health and safety matters, consultation and inclusion of stakeholders and community involvement.
- ▶ Governance factors, including business ethics, responsible procurement, sustainable relations with suppliers, internal control & audit, and responsible governance.

These ESG criteria and commitments defined in the Issuer's Green Bond Framework are robust : they are transparent, precise and mostly exhaustive, defined at project level based on GNF's corporate CSR policies. They cover most key ESG issues of the defined categories of eligible projects, at both construction and O&M phases.

Management of proceeds

Vigeo Eiris considers that the Issuer's process for the management of proceeds is clearly defined and would enable a documented and transparent allocation process :

- ▶ the Issuer intends to allocate the Green Bond proceeds to finance eligible projects started from 2016 upward, within 24 months after the issuance.

- ▶ The net proceeds of the Bond issuance will be managed within GNF's treasury liquidity portfolio, in cash or other short term and liquid instruments that do not include GHG intensive activities nor disputable activities.
- ▶ The Issuer has committed to maintain a minimum level of cash equivalent to the unallocated funds of the Green Bond at the end of the financial year.
- ▶ In case of project postponement, cancelation or divestment, the net proceeds will be used to finance other eligible projects which are evaluated and compliant with the process defined in the Green Bond framework.
- ▶ The tracking of the allocation and of the use of the proceeds from the Green Bond will be made through GNF's general accounting system. Allocation of the funds and unallocated funds will be reviewed annually by external auditors.

Vigeo Eiris considers that the management of proceeds is clearly defined and would enable a documented and transparent allocation and management, in line with the Green Bond Principles guidelines.

Monitoring & Reporting

The Issuer has committed to report annually and transparently in GNF's annual Corporate Responsibility report, within 6 months after the completion of the external assurance of each financial year.

The Issuer is committed to report annually and transparently, until the full allocation of the net proceeds and as necessary afterwards in the event of new development, on:

- Use of proceeds

Reporting indicators at project level	Reporting indicators at Bond level
<ul style="list-style-type: none"> - Description of the financed projects (technologies, location, year of implementation, stage, percentage of completion...) - Amounts allocated (in EUR) - Share of each project financed by the Bond proceed (in %, if co-financed) 	<ul style="list-style-type: none"> - Number of projects - Amounts allocated (in EUR) - Total allocated amount vs total proceeds (in %) - Description of the unallocated proceeds management

- Environmental benefits

Eligible Projects	Impact indicators	Methodology and assumptions
<p>Renewable energy generation units (wind + solar)</p>	<ul style="list-style-type: none"> - GHG emissions avoided (ex-ante estimates and then annual assessment, in t CO2eq) - Energy production capacity (ex ante estimates, then annual assessment, in MW) - Energy production generated (ex ante estimates, then annual assessment, in MWh/year) 	<ul style="list-style-type: none"> - Verification is made in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410) and/or ISO 14064 and/or the GHG protocol methodology and/or the guidance for inventory realization for IPCC 2006. - Assurance report included in the Carbon Footprint Report elaborated in compliance with ISAE 3410 and/or "the greenhouse gas protocol. A corporate accounting and reporting standard" and/or the UNE-ISO 14064 norms on GHG and/or IPCC 2006 guidelines for national inventories. - GHG inventories are verified by a third party with a limited level of assurance, in compliance with International Standard on Assurance Engagements (ISAE 3410), Assurance engagements on Greenhouse Gas Statements issued by the IAASB of the International Federation of Accountants (IFAC) and/or ISO 14064 and/or the GHG protocol methodology and/or the guidance for inventory realization for IPCC 2006

- ESG management of the eligible projects

Beyond the Green Bond Principles requirements, the Issuer has formulated clear and exhaustive ESG management commitments, defined at project level.

Regarding the monitoring and reporting of the ESG management of the eligible projects, the Issuer has committed that it will be achieved at corporate level only : it will be monitored through GNF's corporate internal monitoring systems, and will be reported in GNF's annual Corporate Responsibility report (which compliance with GRI standards is verified by a third party), and will be disclosed in GNF's website.

The Issuer has also committed that any legal process related to the breach of ESG criteria observed at a project level will be reported, as a complement to the overall Green Bond reporting.

When convenient and appropriate, the Issuer would substitute any of the selected indicators and would integrate any other indicators to disclose the performance of the eligible projects.

Vigeo Eiris considers that the Issuer's reporting commitments defined in its Green Bond Framework appear to be robust :

- ▶ The monitoring and reporting process (data collection, consolidation, review, restitution...) appears clearly defined and transparent, and it mobilizes relevant resource persons and processes from across the Issuer's company
- ▶ The monitoring and reporting process covers the Use of proceeds (projects, quantitative environmental benefits), the exclusion criteria, legal process related to the breach of ESG criteria and the management of proceeds (funds), in line with the Green Bond Framework.
- ▶ The defined indicators appear clear, relevant, precise and measurable, covering the use of proceeds (projects), the management of proceeds (funds) and the environmental benefits (metrics).

Overall, Vigeo Eiris reaches a reasonable level of assurance on the Issuer's capacity to regularly and transparently report on its Green Bond, in line with the Green Bond Principles requirements.

Vigeo Eiris recommends to reinforce the reporting on the ESG management at project level.

External Reviews

In addition, the Issuer has also decided to mobilize two types of external review for his Bond:

- ▶ Consultant review : The hereby Vigeo Eiris' Second Party Opinion, as sustainability consultant, on the responsible credentials of the Bond, based on pre-issuance commitments, covering (but not limited to) the key features of the Bond in line with the Green Bond Principles.
- ▶ Verification : external audit by qualified parties (third party ESG and/or financial audit), to verify the management of the proceeds (funds) and quantitative environmental benefits (metrics), until the full allocation of the net proceeds and as necessary afterwards in the event of new developments.

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 and websites of the Issuer related to the Bond evaluation 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, internal review by the audit department for second party opinions) complemented by a final review and validation by the Direction of Methods. A right of complaint and recourse is guaranteed to all companies under our review, including three levels: first, the team linked to the company, then the Direction of Methods, and finally Vigeo Eiris' Scientific Council. All collaborators are signatories of Vigeo Eiris' Code of Ethics.

Part I. ISSUER

NB : The Issuer performance, i.e., commitments, processes, results of the Issuer, related to ESG issues have been assessed through a complete process of rating and benchmark developed by Vigeo Eiris Rating. Furthermore, this assessment has been completed by Vigeo Eiris Enterprise based on additional public information and stakeholders' views and opinion collected from public documentation.

Level of the Issuer's ESG performance

GNF 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. GNF'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, Robust, Limited, Weak.

Stakeholder-related ESG controversies and involvement in disputable 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, 9 disputable activities have been analysed following 30 parameters to verify if the company is involved in any of them. The company's level of involvement (Major, Minor, No) in a disputable activity 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 Green Bond 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 requirements 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 is evaluated 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 17 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 Green Bond 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, based on the Green Bond Principles guidelines.

Monitoring & 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 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, Robust, Advanced.
- Scale of level of assurance on Issuer's capacity: Reasonable, Moderate, Weak.

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



vigeo eiris
Rating

vigeo eiris
Enterprise

Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making

Vigeo Eiris offers two types of services through separate business units

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

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

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

For more information: www.vigeo-eiris.com