

SCOPE

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

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

- **Issuer:** document-based evaluation of the sustainability profile of ENGIE, including:
 - ESG performance, assessed in March 2017³ through the complete process of rating and benchmark developed by Vigeo Eiris Rating. Of note, ENGIE commits to provide an updated sustainability rating to investors shortly in 2018.
 - ESG controversies' management and capacity to mitigate these risks, assessed at the hereby due diligence date.
- **Issuance:** analysis of the coherence between the Green Bond framework and ENGIE's strategy and commitments, and document-based evaluation of the Green Bond framework, including:
 - analysis of the process for categorisation and selection of projects eligible to the use of proceeds, and the process for evaluation of their environmental and social risks and impacts
 - assessment of 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, from ENGIE, press content providers and stakeholders. Vigeo Eiris provided this updated opinion as of date of delivery, based on its previous due diligence on ENGIE's Green Bond framework carried out from March 6, 2017 to March 10, 2017.

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

VIGEO EIRIS' OPINION

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

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

- **Issuer:** ENGIE displays an overall advanced³ ESG performance (see Part I).
 - As of March 2017, ENGIE ranks fifth in the "Electric & Gas utilities" Vigeo Eiris sector which covers 48 European companies. ENGIE's displays different levels of performance on the three ESG pillars: it achieves advanced performance for its Governance and Social pillars, while the Environmental domain remains limited, although almost good. Vigeo Eiris' assurance that ESG risk factors of ENGIE are adequately managed is reasonable, including reputational, human capital, legal and operational risks.
 - As of today, ENGIE faces frequent allegations⁵ regarding Environment, Human Resources, Community Involvement, Business Behaviour and Corporate Governance. The severity ranges from minor to high based on the analysis of their impact on the company and its stakeholders. The company is overall reactive: it reports transparently in almost all cases, cooperates with interested parties or to take corrective actions in some cases. Regarding the 15 controversial activities⁶ analysed by Vigeo Eiris, ENGIE has a major involvement in Fossil Fuels industry, Coal and Nuclear power.

¹ Second Party Opinion – Green Bond Principles: This opinion is to be considered as the "Second Party Opinion" described by the Green Bond Principles ('External Review' section). <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/>

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

³ Date of the last rating cycle for ENGIE's sector – all potential evolutions and data published since March 2017 are not included in the rating.

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

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

Level of Assurance: Reasonable, Moderate, Weak.

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

⁶ The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco. The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

- **Issuance:** The Issuer's Green Bond framework is coherent with ENGIE's main strategic priorities and is considered to be good (see Part II):
 - ▶ The net proceeds of the Hybrid Bond issuance will be used to finance and refinance Eligible Green Projects, which contribute to climate change mitigation and natural resources preservation, in line with five United Nations Sustainable Development Goals.
 - ▶ The processes for categorisation, selection and evaluation of Eligible Green Projects are clearly defined, in line with the Group's policies, and would enable documented and transparent governance of the Hybrid Bond. The Green Bond framework is considered to be good in terms of transparency, governance and relevance of defined process and eligibility criteria, in line with the Green Bond Principles guidelines.

In line with international standards, certain ESG factors have been integrated in the evaluation and selection process, covering main ESG risks related to most of the Eligible Green Projects. We have recommended to apply ESG criteria to R&D investments, to all acquisitions and to all projects (when relevant size).

 - ▶ The rules for the management of proceeds are clearly defined by the Issuer and would enable a transparent allocation process.
 - ▶ ENGIE is committed to report annually, publically and until the net proceeds are fully allocated. The Issuer's reporting commitments and process are good, covering the fund allocation and environmental benefits of selected projects (outputs and impacts), reaching an overall reasonable level of assurance on its capacity to report on the Green Hybrid Bond's use and impacts.

EXTERNAL REVIEW

ENGIE's Green Hybrid Bond issuance is supported by external reviews, provided by:

- The sustainability consultant review, i.e. the hereby Second Party Opinion performed by Vigeo Eiris, on the sustainability credentials of the Green Hybrid Bond, based on pre-issuance commitments and covering all Hybrid Bond dimensions, i.e. Issuer's sustainability profile and commitments related to the issuance (use of proceeds, evaluation, selection and allocation processes, and reporting).
- An annual verification, i.e. the Third Party auditor, covering the management of funds (allocation process) during the fund allocation process and the compliance with all material respects of the Eligible Green Projects criteria set forth in the Green Bond framework, until the net proceeds are allocated in full to Eligible Green Projects and later in the case of any material change in the list of Eligible Green Projects.

This Opinion is valid as of the date of issuance limited to ENGIE's Green Hybrid Bond issued in January 2018.

Paris, January 9, 2018



Muriel CATON

Director of Vigeo Eiris Enterprise



Paul COURTOISIER

Sustainability bond manager

Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed 3 missions for ENGIE (Second Party Opinions delivery on Green Bonds in May 2014, March 2017 and September 2017). ENGIE has a stake in Vigeo Eiris holding 0.96% of its share capital.

This opinion aims to explain for investors why the Green Hybrid Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo Eiris and which has been analysed by Vigeo Eiris. Providing this opinion does not mean that Vigeo Eiris certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Hybrid Bond. ENGIE is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the Green Hybrid Bond, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of ENGIE or its financial obligations. We do not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties. The controversial activities research consists exclusively in highlighting the involvement of companies in a given activity and in qualifying the threshold of involvement without inferring any opinion. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

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

DETAILED RESULTS

Part I. ISSUER

Level of ENGIE's ESG performance

As of March 2017 (date of the last rating cycle for this sector), ENGIE's overall approach to manage ESG related issues is advanced.

Domain	Comments	Opinion
Environment	ENGIE's performance in the Environment domain is considered as limited, close to good, aligned to the sector average.	Advanced
	The Company displays an advanced environmental strategy, characterised by the definition of quantitative targets, with performance indicators on main issues. The Company has set quantitative targets to reduce its footprint. The share of revenues covered by an environmental management system is no longer outstanding. The Company's carbon factor is in line with its sector peers.	Good
	ENGIE Australia has communicated on additional corrective measures completed following a 2014 45-day long fire in Australia, but ENGIE faces other industrial safety and pollution allegations despite the comprehensive resources allocated their prevention that the Company reports on.	Limited
	The share of renewable generation has increased over the 2013-2015 period, but remains relatively low compared with its sector peers. The GHG emission intensity of gas transmission has continuously increased since 2012, despite significant means implemented to improve the network energy efficiency. The GHG emission intensity of gas distribution has continuously decreased since 2012.	Weak
	The group has a major involvement in technologies developed to reduce air emissions (SOx, NOx, Particulates, Mercury). However, Engie's particles emissions linked to thermal energy production increased over the 2011-2015 period due to the commission of two new coal power plants. A dedicated 2016-2018 action plan have been launched following the decision to build no further coal-fired power plants and progressively divest in/close existing plants, with expected reduction of coal installed capacity and related GHG emissions.	
Social	Finally, the Company has a developed comprehensive approach to energy demand-side management, with various client services. The Company only discloses financial target to increase the EBITDA of customer solutions by 50% between 2016 and 2018.	
	ENGIE's performance on the Social pillar is advanced.	Advanced
	Regarding Human Resources, ENGIE displays an advanced performance and has become the sector leader following a slight score increase. The Global Framework Agreement covers all HR sector issues and means in place appear to be efficient. The Company has set quantitative targets on employee development, although the number of training hours per employee has decreased while the turnover has increased.	Good
	Regarding the Human Rights domain, ENGIE's performance is particularly advanced. The Global Framework Agreement covers all sector issues at stake. Quantified targets have been set to promote gender equality and adequate means have been implemented to ensure respect for human rights and for freedom of association and discrimination prevention.	Limited
	ENGIE's Community Involvement performance is good. The Environmental and Societal Responsibility policy covers all sector issues. ENGIE strives to promote access to energy in developing countries, providing donations, technical support and investments, and has put in place measures to address fuel poverty, including financial support and energy demand-side measures. ENGIE's performance linked to mitigation of impacts of its operations is affected by the presence of condemnations and allegations, on which the Company is nonetheless transparent.	Weak
Governance	Finally, in terms of Responsible Customer Relations and Integration of social factors in the supply chain, ENGIE's performances are advanced.	
	ENGIE's performance in the Corporate Governance domain is advanced and above the sector average. CEO and Chairman roles are separated and the Board is more independent. Sound corporate governance practices also include the presence of an Ethics, Environment and Sustainable Development Committee at Board level and the disclosure of fair value estimates of individual grants under the Long Term Incentive Programme.	Advanced
	ENGIE's Business Behaviour performance is good. The Environmental and Societal Responsibility policy lays down provisions on all sector issues at stake but lobbying. However, the presence of repeated customer relation, corruption and competition investigations, on which the Company is transparent, contributes to lower the score on this domain.	Good
		Limited
		Weak

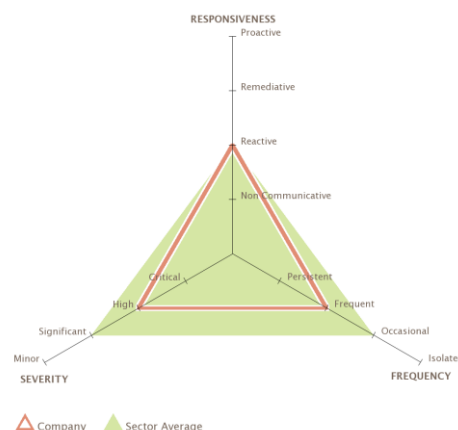
ENGIE is included in the following Vigeo Eiris Indices (as December 1, 2017):

- Euronext Vigeo Eiris World 120
- Euronext Vigeo Eiris Europe 120
- Euronext Vigeo Eiris Eurozone 120
- Euronext Vigeo Eiris France 20.

Stakeholder-related ESG controversies

Frequency: As of January 9, 2018 ENGIE faces frequent allegations: the Company is involved in 15 stakeholder-related ESG controversies, on several domains:

- Environment, namely on Industrial accidents and pollution, Biodiversity, and Air emissions from combustion power plants
- Human Resources, namely on Health and safety
- Community Involvement, namely on Social and Economic Development
- Business Behaviour, namely on Customer relations, Corruption, and Anti-competitive practices
- Corporate Governance, namely on Audit & Internal Controls.



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 6 cases of minor severity, 6 cases of significant severity and 3 cases of high severity (related to Industrial accidents and pollution, Health and safety, Social and Economic Development, Customer relations, and Anti-competitive practices).

Responsiveness: ENGIE is overall reactive: the company is proactive in 1 case, implements remedial actions for 2 cases, reports transparently in 11 cases, and is not communicative in 1 case of minor severity. Of note, ENGIE is either proactive or reactive for all cases of high severity.

Involvement in controversial activities

As of January 5, 2018 regarding the 15 controversial activities analysed by Vigeo Eiris, and based on an estimation of the level and type of company involvement, ENGIE's involvement in Fossil Fuels industry, Coal and Nuclear power is major:

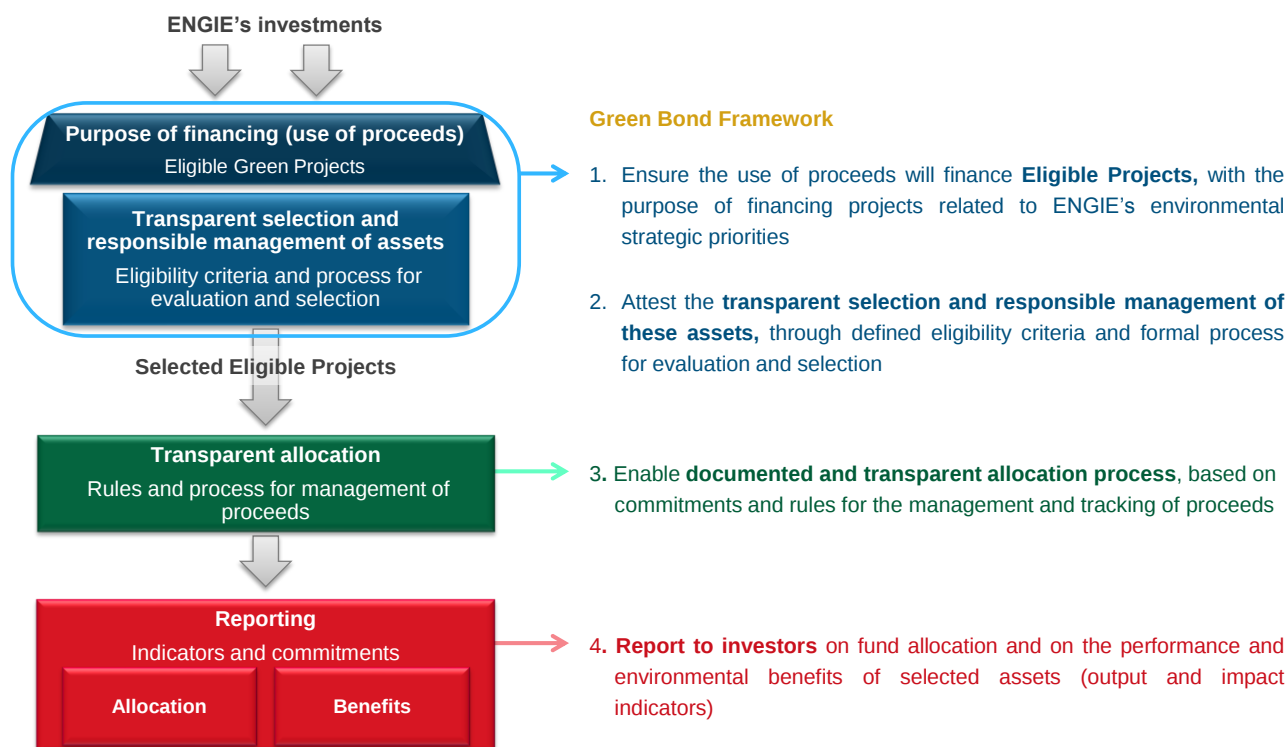
- Fossil Fuels industry: ENGIE has an estimated turnover from fossil fuels, which is 49% of total turnover. This turnover is derived from the generation electricity from fossil fuels as well as gas storage and transmission operations.
- Coal: ENGIE has an estimated turnover from coal, which is between 10% and 20% of total turnover. This turnover is derived from the generation electricity from coal.
- Nuclear power: ENGIE has an estimated turnover from involvement in nuclear power which is between 5% and 10% of total turnover. This turnover is derived from the generation electricity from nuclear power and the production and sale of major nuclear parts and services.

Of note, ENGIE has non significant involvement in Military: ENGIE has an estimated turnover from military sales, which is below 1% of total turnover. This turnover is derived from the provision of military radio and satellite communication networks, as well as equipment for water purification and sewage treatment to the military: notably, subsidiary Engie Ineo through Ineo Defense supplies the following products and services, while Engie Endel supplies a range of services to the armed forces.

ENGIE is not significantly involved in any of the 11 other controversial activities analysed by Vigeo Eiris.

Part II. ISSUANCE

ENGIE has established a framework which applies to the contemplated Green Hybrid Bond issuance. The framework is composed of four steps, aligned with the GBP, as presented in the following process:



Coherence of the issuance

ENGIE is a global energy player active in 70 countries and an expert operator in the three businesses of electricity, natural gas and energy services. The Group is committed to develop its businesses around a model based on responsible growth to take on the major challenges of energy's transition to a low-carbon economy: access to sustainable energy, climate-change mitigation and adaptation, security of supply and the rational use of resources.

Solar energy is a key pillar in ENGIE strategy of becoming the world leader in the energy transition. The Group already holds dominant market positions in some of the world's sunniest regions, including India and Chile, and is also active in the European on-shore wind and solar power plants market, ranking first in the sector with 2.6 GW installed at the end of 2017.

ENGIE has identified the Sustainable Development Goals that are particularly relevant for the Group and committed to six new ambitious Corporate Social Responsibility (CSR) objectives in 2016 to be achieved by 2020, including the development of renewable energy and the reduction of CO₂ emissions:

- a 25% contribution from renewables to the Group energy generation portfolio (19.5% in 2016)
- a 20% reduction in the ratio of CO₂ emissions per energy produced (compared with 2012: 443kgCO₂e/MWh).

Besides, on December 10, 2017, Isabelle Kocher, CEO of ENGIE, announced a €1 billion investment plan over the next five years in the energy efficiency of buildings in France.

Finally, ENGIE 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, ENGIE, along with eight of Europe's largest industrial emitters of green bonds, publicly announced its undertaking to further develop the green bond market, thereby committing to be present in this market in the long term, to place green bonds at the heart of its project financing and business lines, and to implement stringent reporting procedures. To support its strategy and ambition, ENGIE already issued €5.25 billions of Green Bonds since 2014 to (re)finance renewable energy and energy efficiency projects.

ENGIE's Green Bond framework is coherent with its main strategic priorities, and contributes to achieve its commitments and objectives. Vigeo Eiris has a reasonable level of assurance on ENGIE's willingness and capacity to align the objectives and the management of this Green Hybrid Bond with relevant issues in terms of environmental responsibility.

Use of proceeds

In line with ENGIE's commitments and with its CSR policy, the net proceeds of the Green Hybrid Bond will be used to finance and refinance, in whole or in part, Eligible Green Projects included in 3 categories:

- Renewable Energy Projects
- Energy Efficiency Projects
- Natural Resources Preservation Projects.

Eligible Green Projects are located worldwide and include:

- Projects, acquisitions of companies and minority equity participations, and research and development ("R&D") investments
- Recent (2017) and future investments or disbursements corresponding to existing, on-going and/or future projects.

Eligible Green Projects, except for R&D investments, will meet a set of eligibility criteria evaluated by Vigeo Eiris.

The definitions of each Eligible Green Projects' category and expected environmental benefits have been evaluated in the table below:

Eligible Green Projects	Definition	Sustainability benefits	Vigeo Eiris' analysis
Renewable Energy Projects	Financing of, or investments in, the conception, construction and installation of renewable energy production units. Renewable Energy covers energy produced from renewable non-fossil sources, including hydro, geothermal, wind, solar, biogas, biomass and any other renewable source of energy. - Biomass projects may be included subject to local production and lack of conflicting utilization of the resources. - Large hydroelectricity production may be included, subject to the development of recognized international standards, including inter alia Climate Bonds Initiative, UNFCCC Clean Development Mechanism, IFC Reference Standards for hydro projects or equivalent, and the conformity of ENGIE projects to such international standards. - Investment in transmission and distribution projects having the purpose of connecting renewable energy production units may be included as well.	Climate change mitigation - Avoidance/reduction of GHG emissions	The definition is clear and the content is relevant. • Alignment with ENGIE's strategy • Additional criteria applied for biomass and hydropower-related projects include relevant criteria minimizing environmental impacts of the project The objectives are visible, measurable and relevant.
Energy Efficiency Projects	Financing of, or investments in, projects that contribute to a reduction of the energy consumption per unit of output, such as – for instance – heating and cooling network (which recover heat sources that would otherwise be lost), co-generation, optimization of building or plant efficiency, systems for energy management (Smart Grids, Smart Metering), and more globally energy and facility management solutions.	Climate change mitigation - Energy savings and reduction of GHG emissions	The definition is clear and the content is relevant. • Alignment with ENGIE's strategy The objectives are visible, measurable and relevant.
Natural Resources Preservation Projects	Financing of, or investments in, projects that contribute to a reduction of scarce natural resources consumption, such as – for instance – water, and waste management.	Natural resources preservation - Natural resources savings, reduction of waste production and improvement of recycling	The definition is clear and the content is relevant. • Alignment with ENGIE's strategy The objectives are visible, measurable and relevant.

Vigeo Eiris estimates that the objectives and expected benefits associated with the Eligible Green Projects are visible, precise, relevant and measurable. The Eligible Green Projects' contribution to sustainable development is considered to be positive, due to expected environmental benefits associated with defined categories on climate change mitigation and on natural resources preservation.

In addition, Vigeo Eiris considers that the Eligible Green Projects align with the following United Nations Sustainable Development Goals (UN SDGs):

Eligible Green Projects	UN SDGs
Renewable Energy Projects	- 7. Affordable and clean energy - 9. Industry, Innovation and Infrastructure - 12. Responsible Consumption and Production
Energy Efficiency Projects	- 9. Industry, Innovation and Infrastructure - 11. Sustainable Cities and Communities - 12. Responsible Consumption and Production
Natural Resources Preservation Projects	- 6. Clean water and sanitation - 9. Industry, Innovation and Infrastructure - 12. Responsible Consumption and Production

Contribution to achieving the UN SGD 6. Clean water and sanitation



The UN SDG 6 consists in ensuring access to water and sanitation for all, with targets by 2030 on the achievement of universal and equitable access to safe and affordable drinking water for all, the improvement of water quality and the increase of water-use efficiency across all sectors.

By using the Green Hybrid Bond proceeds to (re)finance defined Natural Resources Preservation Projects, the Issuer is contributing to the UN SDG 6, with regards to the above-mentioned targets.

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



The UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all, with targets by 2030 on the share of renewable energy in the global energy mix and the promotion of investments in energy infrastructure and clean energy technology.

By using the Green Hybrid Bond proceeds to (re)finance defined Renewable Energy Projects, the Issuer is contributing to the UN SDG 7, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 9. Industry, Innovation and Infrastructure



The UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation, with targets by 2030 on the upgrade of infrastructure and the retrofit of industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes.

By using the Green Hybrid Bond proceeds to (re)finance all defined Eligible Green Projects categories, the Issuer is contributing to the UN SDG 9, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 11. Sustainable Cities and Communities



The UN SDG 11 consists in making cities inclusive, safe, resilient and sustainable, with targets by 2030 on the access for all to adequate, safe and affordable basic services.

By using the Green Hybrid Bond proceeds to (re)finance defined Energy Efficiency Projects, the Issuer is contributing to the UN SDG 11, with regards to the above-mentioned targets.

Contribution to achieving the UN SGD 12. Responsible Consumption and Production



The UN SDG 12 consists in ensuring sustainable consumption and production patterns, with targets by 2030 on the achievement of sustainable management and efficient use of natural resources.

By using the Green Hybrid Bond proceeds to (re)finance defined Energy Efficiency Projects and Natural Resources Preservation Projects, the Issuer is contributing to the UN SDG 12, with regards to the above-mentioned targets.

Process for project evaluation and selection

The Issuer is committed to attest the transparency and efficiency of selection process and the responsible management of the proceeds and financed projects, through defined eligibility criteria as defined within the existing Green Bond framework, which have been evaluated by Vigeo Eiris using our evaluation methodology based on international and sectors standards, in line with the Green Bond Principles guidelines.

The process for project evaluation and selection is good, regarding the transparency, governance and efficiency of the defined internal process, in line with the Green Bond Principles guidelines.

- The process is clearly defined, formalised and publically available on ENGIE's website⁷, relying on relevant selection criteria. In particular, the selection process aimed to:
 - The definition of each Eligible Green Projects' category.
 - Additional eligibility criteria defined to exclude projects related to fossil fuels and nuclear energy production, and to integrate ESG factors in projects evaluation and selection, except for R&D investments where these criteria do not applied, which is an area of improvement.
- The evaluation and selection process is based on relevant internal expertise, internal roles and responsibilities are well-defined, involving concerned business units in charge of evaluated the selected projects according to the selection criteria.
 - Concerned business units propose a selection of investments eligible for Green Hybrid Bond financing, ensuring the first analysis of projects eligibility, and are in charge of verifying the selection criteria and of preparing audit trails and storage of evidence, to facilitate external auditor's verification.
 - A dedicated Green Bond Committee, to be chaired by the Head of the CSR Department and composed of the Corporate Finance Department, the CSR Department and the relevant Business Units representatives, is in charge of the final selection of projects and of the review of projects allocation.
 - Finally, the "Ethics, Environment and Sustainable Development Committee" of the Board will be periodically inform by the Head of the CSR Department on the Hybrid Bond proceeds allocation and projects selection.

In line with international standards, certain ESG factors have been integrated in the evaluation and selection process, covering main ESG risks related to most of the Eligible Green Projects.

- Relevant criteria and commitments have been defined within the ESG eligibility grid regarding:
 - Environmental domain, including environmental management of the project, climate change mitigation, protection of biodiversity and natural resources, except for eco-design of projects and systematic integration of dismantling impacts.
 - Social and community domain, including respect of human and labour rights, health and safety, stakeholders dialogue and community involvement, except for systematic social impact assessment especially for renewable energy projects.
 - Governance domain, including business ethics and responsible procurement.
- We have recommended to apply ESG criteria to R&D investments, to all acquisitions and to all projects (when relevant size) and to reinforce ESG risks management and monitoring, especially regarding social impact assessment of Eligible Green Projects.

Management of proceeds

Vigeo Eiris considers that the Issuer's rules for management of proceeds are clearly defined and would enable a transparent allocation process.

- The net proceeds of the Hybrid Bond will be managed within ENGIE's treasury liquidity portfolio, in cash or other short term and liquid instruments that do not include GHG intensive activities nor controversial activities.
- The Issuer intends to allocate the Green Hybrid Bond proceeds towards Eligible Green Projects in a two-year period from the issue date of this Green Hybrid Bond issuance, and not to exceed three years. The issuer intends to begin proceeds' allocation no later than during fiscal year 2018.
- The overall share of refinancing (i.e. refinancing of projects financed from 2017) will be disclosed for each reporting.
- ENGIE will track investments of the proceeds allocated to Eligible Green Projects. This tracking is integrated into the annual financial reporting process.
- All the management of proceeds (allocation process) will be reviewed annually by external auditor.

⁷ www.engie.com in the CSR area.

Monitoring & Reporting

Conditions and process for monitoring are clearly defined. The process for data collection, consolidation and reporting will rely on internal expertise, including relevant people from across the Group, and has been partially defined in the Green Bond framework.

- Business unit representatives are in charge of collecting the identified information.
- Then the consolidation and aggregation of indicators will be made at category level by the CSR Department, in charge of drafting the Green Bond report before external review.

The Issuer has identified reporting indicators and calculations methodologies will be define and make publically available on the Issuer website for each reporting.

The Issuer commits to transparently report on the Green Hybrid Bond, until the net proceeds are allocated in full to Eligible Green Projects and later in the case of any material change in the list of Eligible Green Projects, on:

- Use of proceeds: list of (re)financed projects, with related description and detailed illustration of emblematic projects, and the total amount of proceeds allocated to Eligible Green Projects.

Reporting indicators at project level	Reporting indicators at Hybrid Bond level
- List of (re)financed projects with related description (type, location, operation date)	- Total amount of proceeds allocated to Eligible Green Projects - Detailed illustration of emblematic projects - Share of refinancing (in %)

- Environmental benefits: annual estimates of benefits (outputs and/or impacts) aggregated at category level and per geographic area for all projects categories and per technology for Renewable Energy Projects, based on methodologies that will be defined and make publically available for each reporting.

Eligible Green Projects	Outputs reporting indicators	Impacts reporting indicators
Renewable Energy Projects	- Installed renewable energy capacity (in MW) - Annual renewable energy production (in MWh)	- Annual GHG emissions avoided (in tCO ₂ e)
Energy Efficiency Projects	- Annual reduction of energy consumption (in % and in MWh)	- Annual GHG emissions reduced (in tCO ₂ e)
Natural Resources Preservation Projects	- Annual reduction of waste in (Mt)	- Annual reduction of natural resources consumption (in Mt)

- Any major controversy (according to internal methodology based on severity, exposure and frequency of the case) on an Eligible Green Project related to ESG matters and information on key issues at stake and actions put in place by ENGIE.

The selected reporting indicators related to the fund allocation and environmental benefits are relevant for all defined Eligible Green Projects categories. The reporting commitments of the Issuer comply with the Green Bond Principles guidelines.

Regarding monitoring and reporting on ESG management (i.e. additional ESG indicators) of each project, the Issuer will report at corporate level only, through its annual Integrated Report, apart from any potential litigation related to ESG matters observed at project level. Eligible Green Projects are fully integrated in each business unit, covered by the overall annual group reporting, which is disclosed in the annual Integrated Report and dedicated web pages, available on the Issuer website. We have recommended reinforcing disclosure at project level and reporting related to projects ESG management.

In order to report on the projects' benefits, the Issuer may select alternative quantitative or qualitative indicators, to remain relevant to the selected Eligible Green Projects. For all Eligible Green Projects, the Issuer may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on project management.

The reporting will be performed on an annual basis through an annual dedicated report available on the Issuer's website, according to the Green Bonds Principles guidelines, including calculation methodologies. Vigeo Eiris considers that ENGIE's overall reporting commitments are good, providing a reasonable level of assurance on its capacity to report regularly and transparently on fund allocation and impacts of the Green Hybrid Bond.

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

Part I. ISSUER

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

Level of the Issuer's ESG performance

ENGIE has been evaluated by Vigeo Eiris in October 2016 on its Corporate Social Responsibility (CSR) performance, based on 25 relevant ESG drivers organized in the 6 sustainability domains. ENGIE'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, 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) in a controversial 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 guidelines are defined to ensure that the funds raised are used to finance and/or refinance an Eligible Projects and are traceable within the issuing organisation. Each Project endorsed shall comply with at least one of the Eligible Projects category definition in order to be considered as an Eligible Project. Vigeo Eiris evaluates the relevance, visibility, and measurability of the associated environmental and/or social objectives. The sustainability purpose of the Green Hybrid Bond related Eligible Projects has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Projects. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements integrated in the 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.

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 Hybrid Bond proceeds, collected at project level and potentially aggregated at Hybrid Bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

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

VIGEO EIRIS' ASSESSMENT SCALES

Performance evaluation		Level of assurance	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the objective of social responsibility. Reasonable level of risk management and using innovative methods to anticipate emerging risks.	Reasonable	Able to convincingly conform to the prescribed principles and objectives of the evaluation framework
Good	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