

SCOPE

ENGIE (the "Issuer") has formalized a Green Bond Framework (the "Framework"), covering its outstanding and potential forthcoming Green Bonds (green use of proceeds bonds), to facilitate transparency, disclosure, and integrity of ENGIE's Green Bond issuances. The initial version of the Framework, published in March 2017, and its first update in January 2018 have been already reviewed by Vigeo Eiris. The Framework has been updated by ENGIE in January 2019 (use of proceeds and reporting commitments), and the review of associated revisions is included in the hereby Opinion.

ENGIE is contemplating the issuance of a Green Perpetual Capital Securities (hereafter the "Green Hybrid Bond" or "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 considered to be issued by ENGIE to finance and refinance Eligible Green Projects of renewable energy, energy efficiency, natural resources preservation, clean transportation, or other projects with environmental objectives. Our opinion is established according to our Environmental, Social and Governance ("ESG") exclusive assessment methodology and the International Capital Market Association's Green Bond Principles ("GBP").

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

1. **Issuer:** we assessed the sustainability profile of ENGIE, including:
 - ▶ Overall ESG performance, assessed in October 2018, through the complete process of rating and benchmark.
 - ▶ Involvement in potential ESG controversies' and controversial activities, assessed at the hereby due diligence date.
2. **Issuance:** we assessed the consistency of the use of proceeds of the Bond, the contemplated Green Hybrid Bond issuance (included the review of ENGIE's updated Framework) and its alignment with the GBP.

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 Green Bond Framework in March 2017, updated in January 2018 and January 2019.

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 is of the opinion that the Green Hybrid Bond considered by ENGIE aligns with the Green Bond Principles.

We express a reasonable assurance³ (our highest level of assurance) on the Issuer's commitments and the Bond's contribution to sustainability.

In addition, the Eligible Green Projects are likely to contribute to seven United Nations' Sustainable Development Goals, namely Goal 3. Good Health and Well-being, Goal 6. Clean water and sanitation, Goal 7. Affordable and Clean Energy, Goal 9. Industry, Innovation and Infrastructure, Goal 11. Sustainable Cities and Communities, Goal 12. Responsible consumption and production and Goal 13. Climate Action.

1. **Issuer:** ENGIE's global ESG performance is considered advanced³ and has improved since the previous review (October 2016).
 - ▶ The Issuer ranks 5th out of 61 European companies rated in our "Electric and Gas Utilities" sector. ENGIE displays a good performance on the Environmental pillar and an advanced performance on the Social and Governance pillars. Vigeo Eiris' assurance that ENGIE's ESG risk factors are adequately managed is reasonable for all reputational, human capital, operational and legal risks.

¹ This opinion is to be considered as the "Second Party Opinion" described by the International Capital Market Association (www.icmagroup.org)

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

³ 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.

- ▶ ENGIE faces frequent allegations regarding different ESG domains. The severity ranges from minor to high. 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 activities⁴ screened under our methodology, ENGIE has a major involvement in Fossil Fuels industry, Coal and Nuclear power (due to nuclear generated electricity and nuclear parts and services).
 - 2. **Issuance:** ENGIE has formalized the commitments and main characteristics of the Bond within its Framework. The Issuer has committed to make both the Framework and this Second Party Opinion publicly accessible in its website⁵, in line with good market practices
 - ▶ The net proceeds of the Green Hybrid Bond issuance will be used to finance and refinance, in whole or in part, five Eligible Green Projects categories, which are clearly defined for four of them, namely Renewable Energy Projects, Energy Efficiency Projects, Natural Resources Preservation Projects and Clean Transportation Projects.

The Eligible Green Projects falling into these categories are intended to contribute to climate change mitigation, natural resources preservation and air quality (environmental health) objectives. The environmental objectives associated with these Eligible Green Projects are measurable, relevant, although partially precise, as not quantified. We have recommended quantifying these objectives.

The Issuer commits to define and publicly disclose relevant environmental objectives, that will be applied for the projects selected under the fifth Other Eligible Green Projects category.

The expected environmental benefits will be assessed and quantified by the Issuer.

 - ▶ The governance and the process for project evaluation and selection appear to be documented and relevant. The process relies on explicit eligibility criteria. ENGIE has formalized a relevant list of ESG selection criteria applied within the process to most of the Eligible Green Projects categories. This practice is highly positive and in line with the market best practices. The Issuer commits to define and to publicly disclose the environmental and social criteria, that will be externally reviewed, for the Other Eligible Green Projects.
- The identification and management of environmental and social risks associated with the Eligible Green Projects are considered to be overall good for the four defined Eligible Green Projects categories. We have recommended to adapt and apply the criteria related to environmental management and eco-design to Energy Efficiency and Clean transportation projects. We have also 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.
 - ▶ The reporting process and commitments are good, covering both funds allocation and environmental benefits of the Bond (outputs and impacts).

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

- A pre-issuance consultant review: A Second Party Opinion delivered by Vigeo Eiris on the sustainability credentials of the Bond, covering all the features of the Bond, based on pre-issuance commitments.
- An annual verification: performed by a 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 Framework, until the full proceeds allocation 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 to be issued in January 2019.

Paris, January 16, 2019



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⁴ The 15 controversial activities: 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.

⁵ <https://www.engie.com/en/csr-experts-area/2017-green-bond/>

DETAILED RESULTS

Part I. ISSUER

ENGIE is engaged in power, natural gas, and energy services businesses and operates internationally. The Company is notably involved in the generation and sale of power through nuclear, thermal, and biomass resources. Engie also provides energy sales and services for local authorities, infrastructures and individual and professional customers. The Company operates natural gas transportation, storage, and distribution networks and facilities.

Since 2016, the Company initiated divestment from coal-fired and merchant power plants and in 2017, ENGIE announced the acquisition of UK Keepmoat Regeneration and EVBox, the largest European electric vehicle charging player.

Level of ENGIE's ESG performance

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

Domain	Comments	Rating March 2017
Environment	ENGIE's performance in the Environment domain is considered good, above the sector average. The main improvements since the last review are mostly explained by the increased involvement of the Company in renewable energy and better management of energy consumption and GHG emissions with reduction of most environmental KPIs related to air emissions and climate change.	Advanced
	The Company displays an advanced environmental strategy, characterised by the definition of quantitative targets to reduce its footprint, with performance indicators on main issues. The share of revenues covered by an environmental management system is significant. The Company's carbon factor stands below the sector average, in the second quartile of the sector, and has been reduced by 18,7% from 2015 to 2017.	Good
	The company has set quantified targets in terms of developing renewable energy, with 25% share of renewable energy in the generating capacity mix in 2020 and more than 90% of low-carbon activities in Group EBITDA in 2018. In 2017, the installed capacity of renewable sources (15,930 MW) represented 27% of total installed capacity, above the sector average, and the share of energy generation from renewable sources stood at 18%, in line with the sector average.	Limited
	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. These trends are confirmed for the 2016-2017 period.	
	The group has a major involvement in technologies developed to reduce air emissions (SOx, NOx, Particulates, Mercury). The company's SO2 and NOx emissions normalised to production, decreased but not continuously between 2015 and 2017. Engie's particles emissions linked to thermal energy production decreased continuously between 2015 and 2017 by 19%. A dedicated 2016-2018 action plan has been launched following the decision to build no further coal-fired power plants and progressively disinvest in/close existing plants, with further expected reduction of coal installed capacity and related GHG emissions.	
Social	Finally, the Company faces three allegations over environmental impacts or industrial safety of its activities and reports transparently on all of them.	Weak
	ENGIE's performance on the Social pillar is advanced, which is consistent compared to the previous review.	Advanced
	Regarding Human Resources, ENGIE displays an advanced performance and remains the sector leader. 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 in in-house operations, respect for freedom of association and discrimination prevention.	
	ENGIE's Community Involvement performance is now advanced, since the increased transparency of the Company on fuel poverty prevention and access to energy in developing countries, as well as to the improving trend of related KPIs. The Environmental and Societal Responsibility policy covers all sector issues. ENGIE's performance linked to mitigation of impacts of its operations is affected by the presence of controversies (lawsuit and tax dispute), on which the Company is nonetheless transparent.	
	Finally, in terms of Responsible Customer Relations and Integration of social factors in the supply chain, ENGIE's performances are advanced.	Limited
		Weak

Governance	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. ENGIE's Business Ethics performance is good. The Environmental and Societal Responsibility policy lays down provisions on all sector issues at stake but lobbying. However, the presence of frequent controversies related to prevention of anti-competitive practices (penalty or investigations), on which the Company is transparent, contributes to lower the score on this domain.	Advanced
		Good
		Limited
		Weak

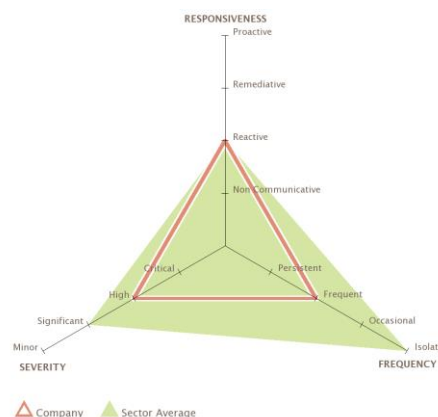
ENGIE is included in the following Vigeo Eiris Indices (as of December 1, 2018):

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

Stakeholder-related ESG controversies

Frequency: ENGIE faces frequent allegations: the company is involved in 8 stakeholder-related ESG controversies, on several domains:

- Environment, in the criteria of "Industrial accidents and pollution", and "Air emissions from combustion power plants".
- Human Resources, in the criteria of "Health and safety".
- Community Involvement, in the criteria of "Social and Economic Development".
- Business Behaviour, in the criteria of "Customer relations and Anti-competitive practices"
- Corporate Governance, in the criteria of "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 2 cases of minor severity, 4 cases of significant severity and 2 cases of high severity (one related to Industrial accidents and pollution, Health and safety, Social and Economic Development, and one related to Customer relations and Anti-competitive practices). No critical cases.

Responsiveness: ENGIE is overall reactive: the company is proactive in 1 case, reports transparently in 6 cases and is not communicative in 1 case (of significant level of severity). Of note, ENGIE is either proactive or reactive for all 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:

ENGIE's involvement in Fossil Fuels industry, Coal and Nuclear Power is major:

- **Fossil Fuels industry:** ENGIE reported having an estimated EBITDA from fossil fuels, which is over 50% of total EBITDA in 2017, derived from the generation electricity from fossil fuels as well as gas storage and transmission operations.
- **Coal:** ENGIE reported having an estimated EBITDA from coal, which is close to 5% of total EBITDA in 2017, derived from the generation electricity from coal, which is decreasing since last year.
- **Nuclear power:** ENGIE reported having an estimated EBITDA from involvement in nuclear power which is between 0% and 5% of total EBITDA in 2017 derived from the generation electricity from nuclear power and the production and sale of major nuclear parts and services, which is decreasing since last year. In addition, ENGIE makes nuclear parts or services for nuclear power plants, which some are considered as major (nuclear fuel cycle management, provision of nuclear engineering services, nuclear decontamination and dismantling, provision of services along the entire value chain) and some as minor (provision of inspection, testing and audit services of nuclear power plants, nuclear maintenance, supply of equipment for nuclear power facilities)

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 involved in any of the 11 other controversial activities screened under our methodology.

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.

Part II. ISSUANCE

Coherence of the issuance

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

The Electric & Gas Utilities sector has a major role to play with regard to climate change and energy efficiency. Energy companies can contribute to the climate change mitigation and energy transition by increasing the development of renewable energy production and reduction of their greenhouse gas (GHG) emissions. These companies' main challenges are the protection of biodiversity, health and safety protection and the promotion of sustainable relations with the communities where they operate.

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 (23.1% in 2017)
- a 20% reduction in the ratio of CO₂ emissions per energy produced compared with 2012 (18.1% in 2017).

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. In 2018, she also announced ENGIE's commitment to reduce by 85% its GHG emissions (scope 1) by 2050, in order to align its trajectory with the 2°C target, based on the significant decrease of the GHG emissions at corporate level (89 MTCO₂ in 2017 compared with 120 MTCO₂ in 2016 and 134 MTCO₂ in 2015).

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 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, ENGIE already issued €6.25 billions of Green Bonds since 2014 to (re)finance renewable energy and energy efficiency projects.

In line with its Green Bond Framework, by issuing a Green Hybrid Bond to finance and refinance renewable energy, energy efficiency, natural resources preservation, clean transportation projects and other potential projects of the Group with environmental objectives, ENGIE coherently responds to its commitment in terms of development of clean energy and natural resources protection, as well as it aligns to main issues of the sector in terms of environmental responsibility.

Use of proceeds

The net proceeds of the Green Hybrid Bond issuance will be used to finance and refinance, in whole or in part, five Eligible Green Projects categories, which are clearly defined for four of them, namely Renewable Energy Projects, Energy Efficiency Projects, Natural Resources Preservation Projects and Clean Transportation Projects.

The Eligible Green Projects falling into these categories are intended to contribute to climate change mitigation, natural resources preservation and air quality (environmental health) objectives. The environmental objectives associated with these Eligible Green Projects are measurable, relevant, although partially precise, as not quantified. We have recommended quantifying these objectives.

The Issuer commits to define and publicly disclose relevant environmental objectives, that will be externally reviewed, for the fifth Other Eligible Green Projects category.

The expected environmental benefits will be assessed and quantified by the Issuer.

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 defined by the Issuer in its Framework as included in the following 5 categories:

- Renewable Energy
- Energy Efficiency
- Natural Resources Preservation
- Clean Transportation
- Other Eligible Green Projects

The definition of Eligible Green Projects categories is overall clear and the content is overall relevant.

- Renewable Energy projects are clearly defined and additional requirements applying for biomass, biogas and hydropower-related projects include relevant criteria and rely on recognized international standard, minimizing environmental impacts of the projects.
- Energy efficiency projects are clearly defined and rely on the objective to reduce energy consumption per unit of output.
- Natural Resources Preservation projects are clearly defined and rely on the objective to contribute to a reduction of scarce natural resources consumption, such as – for instance – water and waste management.
- Clean transportation projects are overall clearly defined, except for *biogas vehicles*, and rely on the objectives to contribute directly or indirectly to a reduction of CO₂ emissions or harmful emissions or energy consumption per km-passenger.
 - Electric and hydrogen vehicles, and related infrastructures, appear to be relevant.
 - According to ENGIE, biogas vehicles means vehicles running exclusively on gas from non-fossil resources, thereby excluding natural gas vehicles. The Issuer commits to perform a dedicated analysis at project level to ensure that the project meets sustainability standards in biogas production and contributes to a reduction of CO₂ emissions. We have recommended to clearly precise the definition and related requirements and to formalize this commitment for biogas vehicles in the Framework.
 - We have recommended to precise the use of the eligible vehicles (public/private and passenger/freight) and the location of usage, impacting indirectly the environmental impact of the vehicles.
- Other Eligible Green Projects are generally defined but the Issuer commits to define and publicly disclose relevant objectives and environmental and societal criteria, that will be applied for the projects selected under this category and that will be reviewed by Vigeo Eiris before inclusion as eligible.

The environmental objectives, namely climate change mitigation, natural resources preservation and air quality (environmental health) are defined, measurable, relevant, although partially precise, as not quantified. We have recommended quantifying the environmental objectives for each category.

Eligible Green Projects	Environmental objectives and expected benefits
Renewable Energy	Climate change mitigation <i>Avoidance/reduction of GHG emissions</i>
Energy Efficiency	Climate change mitigation <i>Energy savings and reduction of GHG emissions</i>

Eligible Green Projects	Environmental objectives and expected benefits
Natural Resources Preservation	Natural resources preservation <i>Natural resources savings, reduction of waste production and improvement of recycling</i>
Clean Transportation	Climate change mitigation <i>Avoidance/reduction of GHG emissions</i> Air quality (environmental health) <i>Reduction of harmful atmospheric emissions (such as NOx, SOx, PM)</i>
Other Eligible Green Projects	<i>Environmental objectives will be defined by the Issuer and externally reviewed in case of projects allocated in this category</i>

Eligible Green Projects are located worldwide and include:

- Projects, acquisitions of companies, minority equity participations, and research and development ("R&D") investments.
- Recent (2017 - funded or disbursed during the last calendar year prior to the issuance of the Bond) and future investments or disbursements corresponding to existing, on-going and/or future projects. Allocations will be made to new projects and, even not formally excluded, the refinancing vs. financing share (if any) should be very limited. The Issuer commits to report on this share of refinancing in its reporting after a year from the issuance.

In addition, Vigeo Eiris considers that the Eligible Green Projects are likely to contribute to seven United Nations Sustainable Development Goals (UN SDGs).

We have no visibility on the potential contribution of the Other Eligible Green Projects to the UN SDGs.

Eligible Green Projects	UN SDGs identified	UN SDGs targets
Renewable Energy Projects	SDG 7. Affordable and clean energy	7.2
	SDG 13. Climate Action	N/A
Energy Efficiency Projects	SDG 7. Affordable and clean energy	7.3
	SDG 9. Industry, Innovation and Infrastructure	9.4
	SDG 13. Climate Action	N/A
Natural Resources Preservation Projects	SDG 6. Clean water and sanitation	6.1, 6.3, 6.4
	SDG 9. Industry, Innovation and Infrastructure	9.4
	SDG 12. Responsible Consumption and Production	12.2, 12.4
Clean Transportation	SDG 13. Climate Action	N/A
	SDG 9. Industry, Innovation and Infrastructure	9.4
	SDG 11. Sustainable Cities and Communities	11.6
	SDG 3. Good Health and Well-being	3.9



UN SDG 3 consists in ensuring healthy lives and promoting well-being for all at all ages. More precisely, SDG 3 targets by 2030 include:

- 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.



The UN SDG 6 consists in ensuring access to water and sanitation for all. More precisely, UN SDG 6 targets by 2030 include:

- 6.1 Achieve universal and equitable access to safe and affordable drinking water for all
- 6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally

- 6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity



The UN SDG 7 consists in ensuring 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
- 7.3 Double the global rate of improvement in energy efficiency



The UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation. More precisely, SDG 9 targets by 2030 include:

- 9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



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. More precisely, SDG 11 targets by 2030 include:

- 11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



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.

- 12.2 Achieve the sustainable management and efficient use of natural resources
- 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment



UN SDG 13 consists in taking urgent action to combat climate change and its impacts. The energy sector can contribute to this goal by investing in the transition to net-zero carbon energy, energy efficiency and the reduction of GHG emissions from transport operations with abatement levers such as modal shift to lower carbon modalities.

Process for project evaluation and selection

The governance and the process for project evaluation and selection appear to be documented and relevant.

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

The process is reasonably structured:

- The process for the evaluation and selection of eligible projects is based on relevant internal expertise, with well-defined internal roles and responsibilities, 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.
- The Issuer is committed to attest the transparency and efficiency of selection process.
- The verification and traceability is ensured throughout the process.
 - Documented proof for future verification will be required for each selected project and examples are disclosed in the Framework.
 - The compliance, in all material respects, of the selected Eligible Green Projects with the set of eligibility criteria will be externally verified until the full allocation of proceeds and later in the case of any material change in the list of Eligible Green Projects.

The process relies on explicit eligibility criteria. The identification and management of environmental and social risks associated with the Eligible Green Projects are considered to be overall good for the four defined Eligible Green Projects categories. The Issuer commits to define and publicly disclose the environmental and social criteria, that will be externally reviewed, for the Other Eligible Green Projects.

- The eligibility requirements are based on the definitions of the Eligible Green Projects categories
- Additional eligibility criteria (defined as ESG criteria in the Framework) applied to the four defined Eligible Green Projects categories to exclude projects related to fossil fuels and nuclear energy production, and to integrate ESG factors in projects evaluation and selection, covering main environmental and social risks associated with most of the Eligible Green Projects
 - 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. We have recommended to adapt and apply the criteria related to environmental management and eco-design to Energy Efficiency (especially energy storage) and Clean transportation projects, especially on lifecycle assessment and consideration of environmental factors and end-of life management for batteries.
 - 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 no visibility on the identification and management of environmental and social risks associated with the Other Eligible Green Projects. The Issuer commits to define and publicly disclose the environmental and social criteria that will be applied for the projects selected under this category and that will be externally reviewed, for these projects.
- 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

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

- The net proceeds of the Green Hybrid Bond will be managed within ENGIE's treasury liquidity portfolio, in cash, cash equivalent and/or other money market instruments that do not include GHG intensive activities nor controversial activities. Thus, pending the full allocation to Eligible Green Projects, the issuer will hold the balance of unallocated proceeds within the treasury of the Group.
- The Issuer intends to allocate the Green Hybrid Bond proceeds towards Eligible Green Projects in a two-year period from the issue date of the Bond issuance, and not to exceed three years, which is in line with good market practices.
- ENGIE will appropriately 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, until the full allocation of proceeds and later in the case of any material change in the list of Eligible Green Projects.

Monitoring & Reporting

The reporting process and commitments are good, covering both funds allocation and environmental benefits of the Bond (outputs and impacts).

The process for monitoring, data collection 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 reporting will be performed on an annual basis and made publicly available through a dedicated report released in the Registration Document and/or on the ENGIE website, on or about the same date of the publication of the Registration Document. The Issuer commits to report on the Bond until the net proceeds are fully allocated and later in the case of any material change in the list of Eligible Green Projects.

The selected reporting indicators related to the fund allocation and environmental benefits are overall relevant for the Eligible Green Projects categories.

- Use of proceeds: list of (re)financed projects, with related description and detailed illustration of emblematic projects, and the amount of proceeds allocated to Eligible Green Projects per technology and per geographic zone. In its Registration Document, the Issuer annually reports on the Group treasury policy and management, which is also applicable to the management of unallocated proceeds contained in the Group's treasury. We have recommended the Issuer to formalize its commitments to report on the share of allocated proceeds vs unallocated proceeds.
- 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.
- Any major controversy (according to internal methodology based on severity, exposure and frequency of the case) faced by an Eligible Green Project related to ESG matters and information on key issues at stake and actions put in place by ENGIE.
- Calculations methodologies will be defined and made publically available on the Issuer website for each reporting.

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, 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.
- All the main ESG issues are monitored at corporate level, disclosed in the annual Integrated Report and dedicated web pages, available on the Issuer website, and is verified by a third party.
- We have recommended reinforcing disclosure at project level and reporting related to projects ESG management.

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 Green 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. Furthermore, this assessment has been completed by Vigeo Eiris based on additional public information, interviews with the Issuer's top management and stakeholders' views and opinion collected from public documentation.

Level of the Issuer's ESG performance

ENGIE has been evaluated by Vigeo Eiris in October 2018 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 is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organizations.

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).
- ▶ **For companies & organizations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

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.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 7 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan, Spain and Mexico.

For more information: www.vigeo-eiris.com

Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has executed previous audit missions for ENGIE (Second Party Opinions deliveries), but no consultancy services. ENGIE has a stake in Vigeo Eiris holding 0.28% of its share capital.

This opinion aims to explain to investors why the Bond is considered sustainable, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the projects financed by the Bond. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on financial performance of the 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 the Issuer or its financial obligations. Vigeo Eiris does not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties.

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.