

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF ENGIE'S GREEN BOND²

October 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (hereafter the “Second Party Opinion” or SPO) on the sustainability credentials and management of the potential forthcoming green bond (the “Green Bond” or “Bond”) to be issued by ENGIE (the “Issuer”) under its Green Bond Framework.

The initial version of the Framework, published in March 2017, and its update as of June 2019 have been reviewed by Vigeo Eiris, and the associated revisions are included in the hereby Opinion.

Our opinion is established according to our Environmental, Social and Governance (“ESG”) exclusive assessment methodology in line with the International Capital Market Association’s Green Bond Principles (“GBP”) voluntary guidelines edited in June 2018.

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

- 1) **Issuer:** we assessed the ESG performance of ENGIE (overall ESG performance assessed in April 2019), its management of potential stakeholders-related ESG controversies, and its involvement in controversial activities³.
- 2) **Issuance:** we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bond’s potential contribution to sustainability and its alignment with the four core components of the GBP 2018.

Our sources of information are multichannel, combining data from (i) public information gathered from public sources, press content providers and stakeholders; (ii) information from Vigeo Eiris’ exclusive ESG rating database; and (iii) information provided by the Issuer through documents and interviews.

We carried out our due diligence first in March 2017, then during repeated updates until October 2019. We consider that we were provided with access to some of the documents we solicited. We consider that the information made available enables us to establish our opinion with a moderate level of assurance on its completeness, precision and reliability.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that the Bond considered by ENGIE is aligned with the four core components of the Green Bond Principles voluntary guidelines 2018.

We express a reasonable assurance⁴ (our highest level of assurance) on the Issuer’s commitments and on the contribution of the contemplated Bonds to sustainability.

1) Issuer (See Part I):

- ▶ As of April 2019, ENGIE displays an overall advanced ESG performance, ranking 5th out of 64 companies rated in our “Electric and Gas Utilities” European sector. ENGIE displays a good performance on the Environmental pillar and advanced performances 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, legal risks.
- ▶ As of today, 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 and has taken corrective actions in one instance.
- ▶ Regarding the 15 controversial activities 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).

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 Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Green Bond” has been decided by the Issuer: it does not imply any opinion from Vigeo Eiris.

³ The 15 controversial activities are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

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

- Level of Evaluation: Advanced, Good, Limited, Weak.
- Level of Assurance: Reasonable, Moderate, Weak.

2) Issuance (see Part II):

ENGIE has formalized the main characteristics of the Bond within its Framework (last updated version forwarded to Vigeo Eiris dated June 12th, 2019). The Issuer has committed to make both the Framework and this Second Party Opinion publicly accessible in its website⁵ before the issuance, in line with good market practices.

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

Use of Proceeds

- ▶ The net proceeds of the Bond issuance will exclusively be used to finance and refinance, in full or in part, five Eligible Green Projects categories, namely: Renewable Energy, Energy Efficiency, Natural Resources Preservation, Clean Transportation, and Other Eligible Green Projects. We consider that the Eligible Categories are clearly defined for four of them, except for "Other Eligible Green Projects" but we take note that the Issuer has committed to submit to prior Vigeo Eiris validation any projects to be included into this Category.
- ▶ The Eligible Green Projects are intended to contribute to several environmental objectives, namely: climate change mitigation, natural resources preservation and air quality (environmental health). The environmental objectives associated with these Eligible Green Projects are formalized in the Framework and are considered relevant, although partially precise, except for the "Other Green Eligible Projects" category, for which there are no objectives defined. The Issuer has committed to define and publicly disclose relevant environmental objectives, that will correspond to the projects selected under the "Other Eligible Green Projects" category.
- ▶ In addition, the Eligible Green Projects are likely to contribute to seven of the 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.
- ▶ The expected environmental benefits will be assessed, quantified and communicated to the investors post-issuance. An area of improvement includes - when feasible - to define ex ante quantified environmental targets for each Eligible Category.
- ▶ The issuer has not communicated transparently on the expected refinancing share for the Issuance. The Issuer has committed to consider, in case of refinancing, a lookback period limited to 12 months prior to the Bond's Issuance, in line with best market practices.

Process for Projects Selection and Evaluation

- ▶ The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ The process relies on explicit and relevant eligibility criteria (selection and exclusion), including ESG selection criteria applied within the process to most of the Eligible Green Projects categories.
- ▶ 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. Areas of improvement include to adapt and apply the criteria related to environmental management and eco-design to the "Energy Efficiency" and "Clean transportation" Categories of projects; to apply ESG criteria to R&D investments, to all acquisitions and to all projects (when relevant size).

Management of Proceeds

- ▶ The rules for the management of proceeds are clearly defined and will be verified. We consider that they would enable a documented and transparent allocation process.

Reporting

- ▶ The reporting process and commitments appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

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

ENGIE has committed that the Bond issuance will be supported by external reviews, provided by:

- A pre-issuance consultant review: the hereby Second Party Opinion delivered by Vigeo Eiris, covering all the features of the Bonds, based on pre-issuance assessment and commitments, to be made publicly available by the Issuer on its website, at the date of issuance.
- An annual verification: an external verification performed by a third-party auditor, covering the allocation of funds, the compliance in all material aspects, of the actual allocation of proceeds to the Eligible Green Projects and their alignment with the eligibility criteria, annually and until the Bond's full allocation and in case of any material change.

This Opinion is valid as of the date of issuance, limited to ENGIE's Bond to be issued in October 2019.

Paris, October 7th, 2019

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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 April 2019, ENGIE's overall ESG performance is considered as advanced and is in line with the previous review (November 2018).

Domain	Comments	Rating
Environment	ENGIE's performance in the Environment domain is considered good and above the sector average. The improvement seen on the Environment domain since the last review is linked to the topic of Energy demand-side management. The Company now reports on the outcomes of energy demand-side management measures and notably the installation of energy performance monitoring system by its subsidiary Cofely.	Advanced
	The Company maintains an advanced performance with regards to its 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
	ENGIE 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 and by 19%. A dedicated 2016-2018 action plan has been launched following the decision to build no further coal-fired power plants and progressively divest in/close existing plants, with further expected reduction of coal installed capacity and related GHG emissions.	Weak

Domain	Comments	Rating
Social	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.	
	Regarding the Human Rights domain, ENGIE's performance is 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 the respect for human rights in the Group's in-house operations, to ensure the respect for freedom of association and to prevent discrimination.	Good
	ENGIE's Community Involvement performance is still advanced. The Company reports on fuel poverty prevention and access to energy in developing countries and displays improving trend of related KPIs. The Environmental and Societal Responsibility policy covers all sector issues. ENGIE's performance linked to the mitigation of its operations' impacts is affected by the presence of two controversies (a tax dispute and a lawsuit). The Company is transparent on both instances and has taken corrective measures on the lawsuit.	Limited
	Finally, in terms of Responsible Customer Relations and Integration of social factors in the supply chain, ENGIE's performances are advanced.	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 47% 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. The Company has improved its performance regarding Audit & Internal controls as it has now closed two cases it faced in 2015 and 2017.	Advanced
		Good
	ENGIE's Business Ethics performance is good. The Environmental and Societal Responsibility policy lays down provisions on all sector issues at stake but Responsible 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.	Limited
		Weak

Management of stakeholders-related ESG controversies

As of today, ENGIE is facing 11 stakeholder-related ESG controversies, linked to four of the six domains we analyse:

- Environment, in the criteria of "Industrial accidents and pollution", and "Management of energy consumption and air emissions from fossil-based Generation activities";
- 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 "Responsible Customer relations" and "Anti-competitive practices".

Frequency: On average, the controversies are considered frequent.

Severity: The level of severity ranges from minor to high based on the analysis of their impact on the Company and its stakeholders. ENGIE faces two cases of minor severity, five cases of significant severity and four cases of high severity. For the cases of high severity, one relates to Anti-competitive practices only, one relates to Anti-competitive practices and Social and Economic Development, one relates to Anti-competitive practices and Customer relations and one final relates to Industrial accidents and pollution, Social and Economic Development and Health and safety. The Company does not face any critical cases.

Responsiveness: ENGIE is overall reactive, in line with the sector: the Company is proactive in one case (of high severity), it is reactive to six cases and is not communicative on four cases (including one with a high level of severity).

Involvement in controversial activities

The Issuer is involved in 3 of the 15 controversial activities screened under our methodology namely:

- Major involvement in Fossil Fuels industry: ENGIE reported having an estimated turnover from fossil fuels, which is between 33% and 50% of total turnover in 2018 and is derived from the generation of electricity from fossil fuels, as well as gas storage and transmission operations. The Company maintains a small investment in gas upstream operations.
- Major involvement in Coal: ENGIE reported having an estimated turnover from coal which is less than 5% of total turnover. This turnover is derived from the generation of electricity from coal.
- Major involvement in 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. 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 Défense 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 12 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

Context note: The Electric & Gas Utilities sector has a major role to play in the fight against climate change and energy efficiency through the promotion and development of renewable energy sources. However, renewable energy facilities such as wind farms call for specific measures to ensure biodiversity protection, health and safety and the promotion of sustainable relations with the communities where they operate.

The complexity and specificities of impacts related to renewable energy generation also imply comprehensive environmental strategies backed by widespread environmental management systems.

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

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's 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 (28.6% in 2018, well in excess of its 2020 target).

Besides, on December 10, 2017, Isabelle Kocher, CEO of ENGIE, announced a EUR 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 (65.8 MTCO₂ in 2018, compared with 89 MTCO₂ in 2017, 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 EUR 8.75 billion of Green Bonds since 2014 to (re)finance renewable energy and energy efficiency projects.

In line with its Green Bond Framework, by issuing a 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 aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

Use of proceeds

The net proceeds of the Bond issuance will exclusively be used to finance and refinance, in full or in part, five Eligible Green Projects categories, namely: Renewable Energy, Energy Efficiency, Natural Resources Preservation, Clean Transportation, and Other Eligible Green Projects. We consider that the Eligible Categories are clearly defined for four of them, except for “Other Eligible Green Projects” but we take note that the Issuer has committed to submit to prior Vigeo Eiris validation any projects to be included into this Category.

The Eligible Green Projects are intended to contribute to several environmental objectives, namely: climate change mitigation, natural resources preservation and air quality (environmental health). The environmental objectives associated with these Eligible Green Projects are formalized in the Framework and are considered relevant, although partially precise, except for the “Other Green Eligible Projects” category, for which there are no objectives defined. The Issuer has committed to define and publicly disclose relevant environmental objectives, that will correspond to the projects selected under the “Other Eligible Green Projects” category.

The expected environmental benefits will be assessed, quantified and communicated to the investors post-issuance. An area of improvement includes - when feasible - to define ex ante quantified environmental targets for each Eligible Category.

The issuer has not communicated transparently on the expected refinancing share for the Issuance. The Issuer has committed to consider, in case of refinancing, a lookback period limited to 12 months prior to the Bond’s Issuance, in line with best market practices.

Eligible Green Projects are located worldwide and include:

- Projects, acquisitions of companies, minority equity participations, and research and development (“R&D”) investments.

An area of improvement is to specify, in all cases of acquisition, how ENGIE will ensure additionality and positive environmental impacts linked to these acquisitions.

- 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.

ENGIE's Framework			Vigeo Eiris' Analysis
Eligible Category	Definition and eligibility criteria	Objectives and benefits	
Renewable Energy	This category includes the financing of, or investments in conception, construction and installation of renewable energy production units. It includes: - Hydro - Geothermal - Wind - Solar - Biogas - Biomass - Any other renewable sources of energy. In addition, the following might also be included: - Investment in transmission and distribution projects to connect renewable energy production units; - Additional types of projects to be included in future updates of the Green Bond Principles' renewable energy category; - Biomass and biogas projects subject to local production and lack of conflicting utilization of the resources; - Large hydroelectricity production, subject to the compliance of a recognized international standard, 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.	Climate change mitigation <i>Avoidance/reduction of GHG emissions</i>	The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined.
Energy Efficiency	This category includes the financing of, or investments in, projects that contribute to a reduction of energy consumption per unit of output, such as: - Heating and cooling network (which recover heat sources that would otherwise be lost), co-generation, optimization of buildings or plant efficiency; - Systems for energy management (Smart Grids, Smart Metering); - Energy storage solutions aiming at promoting the development of Renewable energies and/or replacing peak electricity produced by less environmentally friendly units; - Efficient products or appliances (LED lighting...); - More generally energy and facility management solutions; - Additional types of project to be included in future updates of the Green Bond Principles' energy efficiency category.	Climate change mitigation <i>Energy savings and reduction of GHG emissions</i>	The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined.

ENGIE's Framework			Vigeo Eiris' Analysis
Eligible Category	Definition and eligibility criteria	Objectives and benefits	
Natural Resources Preservation	This category includes the financing of, or investments in, projects that contribute to a reduction of natural resources consumption, such as: - Water and/or waste management; - Additional types of project to be included in future updates of the Green Bond Principles' pollution prevention and control and sustainable water management categories.	Natural resources preservation <i>Natural resources savings, reduction of waste production and improvement of recycling</i>	The definition of this category is clear. The environmental objectives are clear and relevant. The environmental benefits are clearly defined.
Clean Transportation	This category includes the financing of, or investments in projects that contribute directly or indirectly to a reduction of CO2 emissions or harmful emissions, or energy consumption per km-passenger, such as: - Electric, biogas or hydrogen vehicles, and related infrastructure; - Additional types of projects to be included in future updates of the Green Bond Principles' "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>	The definition of this category is overall clearly defined. Electric and hydrogen vehicles, and related infrastructures appear to be relevant. The definition is not clearly defined regarding biogas vehicles. According to ENGIE, biogas vehicles are 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. The environmental objectives are clear and relevant. The environmental benefits are clearly defined. Areas for improvement consist in: - Precising the definition and related requirements and formalizing this commitment for biogas vehicles in the Framework. - Precising 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	This category includes any investments in, or acquisition of, any other types of projects listed in the present and future updates of the Green Bond Principles' categories, such as: - Adaptation projects; - Eco-efficient or circular economy products; - Pollution prevention and control; - Green buildings.	<i>Environmental objectives will be defined by the Issuer and externally reviewed in case of proceeds allocated in this category</i>	The definition of this category is generally defined. The environmental objectives and benefits are not defined yet. 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.

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

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 - Increase substantially the share of renewable energy in the global energy mix
	SDG 13. Climate Action	N/A
Energy Efficiency Projects	SDG 7. Affordable and clean energy	7.3 - Double the global rate of improvement in energy efficiency
	SDG 9. Industry, Innovation and Infrastructure	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
	SDG 13. Climate Action	N/A
Natural Resources Preservation Projects	SDG 6. Clean water and sanitation	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
	SDG 9. Industry, Innovation and Infrastructure	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
	SDG 12. Responsible Consumption and Production	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
Clean Transportation	SDG 13. Climate Action	N/A
	SDG 9. Industry, Innovation and Infrastructure	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
	SDG 11. Sustainable Cities and Communities	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
	SDG 3. Good Health and Well-being	3.9 - Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

Process for projects evaluation and selection

The governance and the process for the evaluation and selection of the Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.

The process for evaluation and selection of Eligible Projects is clearly defined.

The process for the evaluation and selection of Eligible Projects appears to be reasonably structured:

The evaluation and selection of Eligible Projects is based on relevant internal expertise, with well-defined roles and responsibilities, involving concerned business units in charge of evaluating the selected projects according to selection criteria:

- Concerned business units propose a selection of investments eligible for 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 the 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 informed by the Head of the CSR Department on the Bond proceeds allocation and projects selection.

The traceability and verification are ensured throughout the process.

- The Issuer is committed to attest the transparency and efficiency of selection 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 and relevant eligibility criteria (selection and exclusion), including ESG selection criteria applied within the process to most of the Eligible Green Projects categories.

- 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.

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 but for the “Other Eligible Green Projects” category. 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 ESG risks identified and management cover the 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. An area of improvement includes the adaptation and application of 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.

However, 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 Eligible Projects.

Areas for improvement include 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 will be verified. We consider that they would enable a documented and transparent allocation process.

The allocation and management of the proceeds are overall clearly defined:

- The net proceeds of the 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 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.

Traceability and verification of both tracking method and allocation of the proceeds, are ensured throughout the process:

- 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 appear to be good, covering both the funds allocation and the environmental benefits of the Eligible Projects.

The processes for monitoring, data collection, consolidation, validation and reporting are partially defined by the Issuer in internal documentation.

The process is structured and based on relevant internal expertise and involves relevant departments of the Issuer:

- 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 commits to report at category level 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 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.

- Allocation of proceeds: the selected reporting indicators on the fund's allocation are relevant.

Reporting indicators
- List of (re)financed projects, with related description and detailed illustration of emblematic projects - 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. An area for improvement consists in formalizing its commitments to report on the share of allocated proceeds vs unallocated proceeds.

- Environmental benefits: the selected reporting indicators are considered relevant. The impact reporting will be aggregated at category level and per geographic area for all projects categories and per technology for Renewable Energy Projects.

Eligible Categories	Environmental benefits indicators	
	Outputs and outcomes	Impact Indicators
Renewable Energy	- Installed capacity in MW; - Annual renewable energy production in MWh or renewable gases production/injection in MWh or % of estimated transported renewable energy	- Annual GHG emissions avoided in tons of CO2 equivalent
Energy Efficiency		- Annual reduction of energy consumption in % or in MWh; and - Annual GHG emissions reduced in tons of CO2 equivalent
Natural Resources Preservation		- Annual reduction of natural resources consumption in Mt; or - Annual reduction of waste in Mt.
Clean Transportation	- Energy distribution for clean transportation in MWh	- Annual avoided fossil fuel consumption in MWh; - Annual reduction or avoidance of CO2 emissions g CO2 per passenger-km (passengers activities) or per t-km (freight activity) or harmful emissions (NOx, SOx, particles...) in mgr per km.
Other Eligible Green Projects		- Annual reduction or avoidance of CO2 emissions or relevant indicators that will be defined by ENGIE, based on recognized reference standards (such as CBI, GBP). Before inclusion of projects selected under this category, the Issuer commits to have the indicators reviewed by Vigeo Eiris.

- 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 publicly 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 are verified by a third party.

An area of improvement includes 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 Issuance's objectives, management and reporting on 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 Behaviour and Corporate Governance. The evaluation framework has been customized regarding material issues, based on the Electric & Gaz Utilities assessment framework, projects specificities and emerging issues.

Vigeo Eiris reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources will be considered as long as they are public, documented and traceable. Vigeo Eiris has reviewed documents and websites of the Issuer, related to the Bond evaluation and interviewed members from several departments of the Issuer.

Our research and rating procedures are subject to internal quality controls 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

The Issuer has been evaluated by Vigeo Eiris on its Corporate Social Responsibility (CSR) performance, based on 25 relevant ESG drivers organized in the 6 sustainability domains. 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

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.

Involvement in controversial activities

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 Eligible Categories has been precisely defined, with regard to the Issuer's commitments, and assessed based on the described and estimated benefits of Eligible Projects. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for project evaluation and selection

The evaluation and selection process has been assessed by Vigeo Eiris regarding its transparency, governance and efficiency. The relevance and exhaustiveness of selection criteria and associated supporting elements integrated in the Framework, and the coherence of the process are analysed based on material issues considered in Vigeo Eiris' methodology.

Management of proceeds

The rules for the management of proceeds and the allocation process have been evaluated by Vigeo Eiris regarding their transparency, coherence and efficiency.

Reporting

Reporting indicators, processes and methodologies are defined by the Issuer to enable annual reporting on fund allocation, environmental benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed by the Bond proceeds, collected at project level and potentially aggregated at Bond level. Vigeo Eiris has evaluated the relevance of the reporting framework according to three principles: transparency, exhaustiveness and effectiveness.

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 6 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan 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.

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.