

# SECOND PARTY OPINION<sup>1</sup>

## ON ALBIOMA'S SUSTAINABILITY-LINKED FINANCING FRAMEWORK

Novembre 2020

### BACKGROUND

Albioma (hereafter the "Issuer") contemplates including one environmental factor to the Sustainability-Linked Instruments<sup>2</sup> (the "Instruments") to be issued in compliance with the Sustainability-Linked Financing Framework (the "Framework") created to govern their issuances. The Framework will include the Issuer's commitment to achieve specific targets ("Sustainability Performance Targets" or "SPTs") regarding one environmental Key Performance Indicator (hereafter the "KPI") proposed by the Issuer as part of its sustainability strategy. As opposed to other sustainable financial instruments such as green bonds or other types of green loans, the objective is not to finance sustainable projects or investments. Indeed, such facilities are agnostic on how funds are used. The main feature of this type of financing is the variation of the bond/loan's financial and/or structural characteristics, depending on whether the Issuer achieves predefined sustainability performance objectives.

Albioma is a France-headquartered electricity generation company. The company's power generation is based on renewable sources (biomass, photovoltaics) and fossil fuels (coal, oil).

For these so-called Sustainability-Linked Instruments, the selected KPI to be linked to the variation of the bond/loan's financial and/or structural characteristics is the following:

- KPI : Percentage of Renewable Energies (RE) in Albioma's Energy Mix, with the following targets and trigger events:
  - o SPT 1: RE in Albioma's Energy Mix > 80% in 2023
  - o SPT 2: RE in Albioma's Energy Mix > 90% in 2025
  - o SPT 3: RE in Albioma's Energy Mix between 95% and 100% by 2030

Percentage of Renewable Energies in Albioma's Energy Mix =

$$\frac{\text{Production of Renewable Energy per calendar year (volumes in GWh)}}{\text{Production of Energy from all sources per calendar year (volumes in GWh)}}$$

**Table 1 – Albioma's Instruments' objectives  
(% renewable energy in energy mix)**

	<u>2023</u>	<u>2025</u>	<u>2030</u>
KPI <sup>3</sup>	80%	90%	95-100%

**Table 2 – VE's assessment of Albioma's SPTs**

	<u>Level of ambition<sup>4</sup></u>
KPI	ADVANCED

<sup>1</sup> This opinion is to be considered as the "Second Party Opinion" described in the GBP voluntary guidelines (June 2018 Edition) edited by the International Capital Market Association ([www.icmagroup.org](http://www.icmagroup.org)).

<sup>2</sup> The instruments to be potentially issued include bonds (PP, bond) or loans (term loan, RCF).

<sup>3</sup> Albioma's targets being absolute targets, no baseline has been set.

<sup>4</sup> VE scale of assessment: Weak / Limited / Robust / Advanced

## SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the integration of one environmental factor to the Sustainability-Linked Instruments (the “Instruments”) to be issued by Albioma (the “Issuer”) in compliance with the Sustainability-Linked Financing Framework (the “Framework”) created to govern their issuances.

Our opinion is established according to our Environmental, Social and Governance (“ESG”) exclusive assessment methodology, to the Loan Market Association’s Sustainability Linked Loan Principles (“SLLP”), edited in May 2020 and to the International Capital Market Association’s (ICMA) Sustainability-Linked Bond Principles (“SLBP”), voluntary guidelines, edited on June 2020.<sup>5</sup> This opinion is strictly limited to the integration of one environmental factor in the Instruments. This opinion does not cover the integration of broader sustainability factors (i.e. social and governance), nor the labelling of the Instruments which the final decision is left to Albioma. This opinion does not constitute a verification or certification.

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

- 1) **Issuer:** we assessed the Issuer’s ESG performance<sup>6</sup>, its management of potential stakeholder-related ESG controversies and its involvement in controversial activities.<sup>7</sup>
- 2) **Instruments:** we assessed the Framework’s alignment with the core components of the SLLP and SLBP 2020.

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.

We carried out our due diligence assessment from August 3<sup>rd</sup> to November 25<sup>th</sup>, 2020. We consider that we were provided with access to all the appropriate documents we solicited. For this purpose, we used our reasonable efforts to verify such data accuracy.

## VIGEO EIRIS’ OPINION

**Vigeo Eiris is of the opinion that Albioma’s Sustainability-Linked Financing Framework is aligned with the LMA’s Sustainability-Linked Loan Principles and the ICMA’s Sustainability-Linked Bond Principles 2020.**

### 1) Issuer (see Part I):

- ▶ As of December 2019, Albioma displays an overall good ESG performance. Albioma’s performance is advanced in the Environment and Governance pillars, and good in the Social pillar.
- ▶ In September 2019, Albioma was facing one stakeholder-related ESG controversy, linked to one of the six domains we analyse: Human Resources. Albioma reports that the case has been resolved since then. According to Vigeo Eiris’ methodology, the frequency of the controversy is considered isolated and the severity of its impact on both the company and its stakeholders is considered significant. Albioma is considered reactive on the case. Since then, Albioma has not faced any new controversy.
- ▶ As of September 2020, the Issuer appears to be involved in two of the 17 controversial activities screened under our methodology, namely Fossil Fuels and Coal.<sup>8</sup> Albioma appears to not be involved in any of the 15 other controversial activities screened under our methodology.

### 2) Instruments (see Part II):

- ▶ **Selection of Key Performance Indicators (KPIs)** – The selected KPI is relevant and material from an environmental standpoint and appropriately reflects the Issuer’s most material environmental issue as well as the most material environmental challenge for its sector. The KPI is measurable, externally verifiable and is able to be benchmarked. In addition, the KPI’s definition, the rationale behind its selection, the calculation methodologies and perimeter of reporting are clearly defined in the Framework.

<sup>5</sup> It is to be noted that Vigeo Eiris’ opinion is structured around the core components of the SLBP as they cover all items included in the SLLP.

<sup>6</sup> The Issuer’s ESG performance was assessed in December 2019 by a complete process of rating and benchmark developed by Vigeo Eiris. All potential evolutions and data published after this date are not included in the rating.

<sup>7</sup> The 17 controversial activities screened by Vigeo Eiris are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

<sup>8</sup> The Issuer reports that the penetration of renewable energies into the mix is challenging in isolated networks (such as the Island in Overseas France). Indeed, the reduced scale of the grids has historically benefited fossil-fuelled generators (coal, petroleum) in order to provide stable and reliable power to end-users.

- ▶ **Calibration of Sustainability Performance Targets (SPTs)** – The SPTs demonstrate an advanced level of ambition, in comparison with (i) the Issuer’s ESG strategy and performance and (ii) existing international standards. The timeline, baseline and trigger events are clearly disclosed for the KPI.
- ▶ **Bond Characteristics** – The nature of the bond/loan’s characteristics’ variation and the trigger events are clearly disclosed in the Framework. The actual financial impact will be clearly disclosed in the pre-issuance template, included in the bond or loan documentation for each issuance.
- ▶ **Reporting** – The selected KPI’s internal control and reporting processes are relevant, transparent and enable to provide reliable data. All relevant information related to the KPI, including results, underlying methodologies and assumptions will be publicly disclosed by the Issuer. This information will be disclosed annually in the Issuer’s reporting or website and until maturity of the Instruments.
- ▶ **Verification** – The KPI will be annually verified by an external auditor and made publicly available. The achievement of the SPTs will be reviewed by an external auditor after each trigger event and the verification assurance report will be made available to relevant stakeholders.

*This opinion is based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the SLLP and SLBP voluntary guidelines (May and June 2020). Albioma acknowledges that in case of changes of such standards and market practices and expectations, VIGEO EIRIS shall exclude any liability regarding the use of the concerned opinion and its compliance with then-current standards and market practices and expectations.*

Paris, November 25<sup>th</sup>, 2020

**Sustainable Finance Team** | [VEsustainablefinance@vigeo-eiris.com](mailto:VEsustainablefinance@vigeo-eiris.com)

## DETAILED RESULTS

### Part I. ISSUER

Albioma is a France-headquartered electricity generation company. The Issuer's power generation is based on renewable sources (biomass, photovoltaics) and fossil fuels (coal, oil). As of 2019, the Group operated 13 thermal plants and more than 400 photovoltaic plants with a total installed capacity of 941 MW. The Issuer owns power plants in the French overseas departments and Brazil, with a total of around 1 GW of installed capacity at end 2019. Albioma has a minority participation in several power plants located in Mauritius.

### Level of ESG Performance

Albioma's ESG performance was assessed through a complete process of rating and benchmark.

As of December 2019, Albioma displays a good ESG performance. Albioma's performance is advanced in the Environment and Governance pillars, and good in the Social pillar. The Issuer reports that new measures have been implemented since the last rating.

Domain	Comments	Opinion
Environment	<p><b>Albioma's performance in the Environment pillar is advanced.</b></p> <p>The company displays an advanced performance in the criterion Environmental strategy, mainly due to advanced commitments in its CSR Roadmap and specific targets in terms of renewable energy and GHG emissions. In addition, 60% of Albioma's sales is covered by an ISO 14001 certification. However, the carbon factor, although decreasing, is still higher than the sector average. Albioma reaches an advanced score in 'Development of renewable energy', with 67% of the group's energy generation derived from renewable sources (biomass, solar) in 2019 (62% in 2018), which is above the sector average. The company published ambitious commitments to increase this share up to 80% by 2023. Regarding the management of energy consumption and air emissions from thermal activities, Albioma shows an advanced performance. Quantitative targets have been set and are backed by relevant measures, including cogeneration, flue gas cleaning systems, and denitrification catalysts. However, result indicators show mixed results but the company's thermal carbon factor has decreased by 24% between 2014 and 2018. Finally, a robust score is now obtained in 'Biodiversity', on account of several diversified measures that support a relevant policy.</p>	Advanced
		Good
		Limited
		Weak
Social	<p><b>Albioma's performance in the Social pillar is good.</b></p> <p>Albioma reaches a limited performance linked to 'Fundamental human rights'. The Company's commitment covers the respect of the right to privacy and to personal security. The Company reaches a good performance in 'Preventing discrimination', mainly thanks to a relevant formalised commitment covering most discrimination categories, and measures considered as significant. The percentage of women among management has increased over the last five years. Regarding 'Fundamental labour rights', Albioma's performance is considered limited because its commitments are quite general. The Company reports to have implemented ongoing monitoring of labour rights risks.</p> <p>The Company's performance in the Human Resources domain is advanced. Health and safety issues are well overseen through quantitative targets involving employees and sub-contractors, and efficient measures have been implemented, such as training, monitoring, risk assessments, audits as well as two sites with external certification. Nevertheless, only basic measures address stress at work. Result indicators on health and safety for internal staff have decreased over the last five years. No indicators are disclosed for contractors. The performance on the issue of 'Careers' is also considered advanced, mainly thanks to the evaluation of line managers on their performance in terms of HR management and to the stabilisation of the turnover rate. Moreover, a relevant career management system is in place: formalised skill requirements for the various job positions, annual performance assessment interviews, and training for 77% of employees in 2018. The Company also reaches an advanced performance regarding 'Social dialogue', thanks to a relevant policy on this topic, backed by a strong collective bargaining system and agreements that cover almost three quarters of the workforce.</p> <p>Albioma's performance in the Community Involvement domain is good. Albioma has allocated resources to address the access to energy by local population in islands and in emerging countries. In addition, the Company clearly commits to promote local social and economic development and has allocated significant means to address this issue, such as social impact assessments, capacity building and social development programmes. The share of local purchasing has deteriorated in the last three years, this is explained by the Company because of the insular nature of the various territories in Overseas France, which can create difficulties for sourcing.</p>	Advanced
		Good
		Limited
		Weak

Governance	<p><b>Albioma's performance in the Governance pillar is advanced.</b></p> <p>The Issuer's performance linked to Corporate Governance is good. A majority of directors within the Nomination Committee and CSR committee are considered independent and are part of the Board of Directors. Around 75% of Directors are considered to be independent, and the Board diversity is advanced in terms of gender, professional relevant experience and CSR expertise. Moreover, some of the CSR issues deemed relevant for the sector are discussed at Board level and performance of the Board is evaluated regularly by a third party, with disclosure of the results. Albioma also displays an advanced performance regarding 'Audit and internal controls'. The Audit Committee has a comprehensive role and the audit system covers most of the CSR risks inherent to the company's business operations. Moreover, the CSR reporting on key material issues is audited by an independent third party, while non-audit fees paid to the audit firm represent less than 25% of the total. Shareholders' rights appear to be very well protected. Albioma is also transparent on the components and targets used to set Executives' variable remuneration, although severance pay may exceed 2 years' base salary, contrary to standards advocated by Vigeo Eiris.</p>	Advanced
		Good
		Limited
	<p>The Issuer's Ethics Charter includes commitments related to 'Corruption' and to 'Anti-competitive practices'. Albioma has set up some relevant measures including employees' training and internal and external audits. The Company states that neither corruption nor antitrust incidents were reported within the past five years.</p>	Weak

### Management of stakeholder-related ESG controversies

In September 2019, Albioma was facing one stakeholder-related ESG controversy, linked to one of the six domains we analyse:

- Human Resources, in the criteria of "Social Dialogue" and "Health & Safety".

According to the press, employees of the Galion plant in Trinité started a two months strike in September 2019, where 23 employees out of a workforce of 39 employees were calling in particular for the harmonisation of wages, but also for adequate safety measures and compliance with on-call conditions. The company stated that they made a number of adjustments, particularly in terms of salaries, and that the mediation process implemented led to the hiring of an additional team.

According to Vigeo Eiris' methodology:

- **Frequency:** The controversies faced are considered "isolated"<sup>9</sup>, in line with the sector average.
- **Severity:** The severity of the case, based on the analysis of its impact on both the company and its stakeholders, is considered "significant"<sup>10</sup>, in line with the sector average.
- **Responsiveness:** Albioma is considered overall "reactive"<sup>11</sup>, in line with the sector average.

Since 2019, the Issuer has not faced any new controversy.

### Involvement in controversial activities

As of September 2020, the Issuer appears to be involved in two of the 17 controversial activities screened under our methodology, namely:

**Major involvement in Fossil Fuels and Coal:** Albioma has an estimated turnover from coal which is between 20-33% of total turnover. This turnover is derived from coal-powered electricity generation in cogeneration units with bagass as the main fuel. The company produced 3,775 GWh of electricity in 2019, of which 3,652 GWh was thermal-powered. The company reports that 33% of its energy mix is fossil fuel-based (virtually all of this is coal). Therefore, considering that sales of electricity accounted for 99.5% of turnover in 2019, it can be calculated that the company derived around 32% of turnover from coal-powered electricity generation. It is to be noted that the company has a coal phase out strategy planned for 2030.

The Issuer appears to be not involved in any of the 15 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Gambling, Genetic engineering, High interest rate lending, Human Embryonic Stem Cells, Military, Nuclear power, Pornography, Reproductive medicine, Tar sands and oil shale, and Tobacco.

The controversial activities research provides screening of 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.

<sup>9</sup> VE scale of assessment: Isolated / Occasional / Frequent / Persistent

<sup>10</sup> VE scale of assessment: Minor / Significant / High / Critical

<sup>11</sup> VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive

## Part II. INSTRUMENTS

### Principle 1. Selection of Key Performance Indicators (KPIs)

The selected KPI is relevant and material from an environmental standpoint and appropriately reflects the Issuer's most material environmental issue as well as the most material environmental challenge for its sector. The KPI is measurable, externally verifiable and is able to be benchmarked. In addition, the KPI's definition, the rationale behind its selection, the calculation methodologies and perimeter of reporting are clearly defined in the Framework.

The Framework is aligned with the "Selection of Key Performance Indicators" principle of the ICMA's Sustainability-Linked Bond Principles.

#### Coherence

Vigeo Eiris considers that the KPI selected is coherent with Albioma's sustainability strategy, commitments and priorities.

As part of its sustainable development policy, Albioma has formalised three environmental commitments corresponding to what the company has identified as its most material environmental challenges:

- Support the energy transition;
- Use resources sustainably;
- Protect biodiversity.

In addition, Albioma has formalised a renewable energy production mix strategy based on three pillars:

- Act for the energy transition in French overseas territories;
- Global rollout of Albioma's expertise;
- Accelerate the development in solar PV.

As part of Albioma's strategy to support the energy transition in the various departments and regions of Overseas France and in line with the objectives defined in France's "Energy Transition for Green Growth"<sup>12</sup> legislation, Albioma has launched in 2012 a plan to phase out coal in favour of new forms of sustainable biomass<sup>13</sup> in addition to bagasse<sup>14</sup>. This will be done mainly through the conversion of Albioma's plants to 100% biomass model which will allow to increase the share of renewable energy in the mix to reach between 95% and 100% by 2030 while considerably reducing its CO<sub>2</sub> emissions. In addition to its coal phase out plan, Albioma has committed to low-emitting and innovative energy production. To do so, the company focuses on the development of its solar asset portfolio by building a pipeline of new projects.

Moreover, in order to assess the compatibility of its strategy with the achievement of the "2°C" target, Albioma has joined in 2018 the Assessing low Carbon Transition<sup>15</sup> (ACT) experimental project which provides methods to assess the alignment of a company's strategy with a decarbonation trajectory relevant to its activities and sector.

The Issuer reports that based on modelling projections for 2023, this experimental programme confirmed the compatibility of Albioma's low carbon transition strategy with the 2°C trajectory defined at the COP21.

Albioma's public target regarding the selected KPI is the following:

- Increase the share of renewable energy in its energy mix to 80% by 2023 which will be equivalent to 254 fCO<sub>2</sub>eq/kWh.

Albioma reports that the two targets set for 2025 and 2030 will be disclosed in the next sustainability report or equivalent document.

<sup>12</sup> <https://www.cohesion-territoires.gouv.fr/loi-relative-la-transition-energetique-pour-la-croissance-verte-tepcv#:~:text=La%20loi%20de%20transition%20%C3%A9nerg%C3%A9tique.%C3%A9nergie%20%C3%A0%20des%20co%C3%BBts%20comp%C3%A9titifs.>

<sup>13</sup> The biomass is produced from the advanced feedstock listed in Part A of Annex IX of Directive (EU) 2018/2001.

<sup>14</sup> Bagass is defined as the dry pulpy fibrous residue that remains after sugarcane or sorghum stalks are crushed to extract their juice. It is used as a biofuel for the production of heat, energy, and electricity, and in the manufacture of pulp and building materials.

<sup>15</sup> <https://actinitiative.org/>

## KPI: Percentage of renewable energies in Albioma's energy mix

### Materiality

Vigeo Eiris considers that the selected KPI is relevant and material from a sustainability standpoint and appropriately reflects the most material environmental issue for the Issuer and for its sector.

The selected KPI is likely to contribute to two of the United Nations' Sustainable Development Goals ("SDGs"), namely: Goal 7. Affordable and Clean energy and Goal 13. Climate Action.



- 7.2 Increase substantially the share of renewable energy in the global energy mix

Assets are likely to contribute to SDG 13 which consists in adopting urgent measures to combat climate change and its effects.

The Electric & Gas Utilities sector has a major role to play regarding climate change and energy efficiency through the promotion of renewable energy sources, energy efficiency and reduction in greenhouse gas emissions of power plants. Companies are expected to set ambitious climate change strategies, backed by relevant targets and widespread environmental management systems. Indeed, with two-thirds of greenhouse gas (GHG) emissions coming from the energy sector, the Intergovernmental Panel on Climate Change (IPCC) highlights the need for a transformation of the world's energy system with an immediate, large-scale shift to renewable energy and energy efficiency.

The Paris Agreement has set out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen companies' ability to deal with the impacts of climate change and support them in their efforts. The Paris Agreement is the first-ever universal, legally binding global climate change agreement, adopted at the Paris climate conference (COP21) in December 2015. In addition, according to a report<sup>16</sup> published by the International Renewable Energy Agency (IRENA), the rapid adoption of renewable energy combined with energy efficiency strategies is a reliable pathway to achieve over 90% of energy-related CO<sub>2</sub> emissions reductions needed to meet National climate pledges. Therefore, the renewable energy sector has a major role to play regarding climate change through the development of renewable energy installations.

Albioma is committed to assess the compatibility of its strategy with the achievement of the "2°C" target. To do so, the Company has joined ACT "Assessing low Carbon Transition" (ACT2.0) in 2018, an experimental project run by CDP and ADEME (founders of the Bilan Carbone® carbon accounting method). Based on modelling projections for 2023, this experimental programme confirmed the compatibility of Albioma's low carbon transition strategy with the 2°C trajectory defined at the COP21 Conference in 2015.

In addition, Albioma has formalised a CSR roadmap 2018-2023 which is publicly available and in which Albioma defines support to energy transition as a top priority. For a certain period of the year, Albioma's cogeneration units operate using coal, contributing to atmospheric emissions. In order to comply with European and French atmospheric emissions standards and be in line with its low carbon strategy, Albioma has identified the coal phase out (in favour of new forms of sustainable biomass) as a business priority by 2030.

### Measurability and Verification

The KPI is externally verifiable and measurable on a consistent methodological basis.

The Issuer reports that the KPI is reviewed by an external auditor before its publication in the Registration Document since 2012, in line with best practices taken into account in Vigeo Eiris methodology.

<sup>16</sup>[https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jun/IRENA\\_G20\\_climate\\_sustainability\\_2019.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2019/Jun/IRENA_G20_climate_sustainability_2019.pdf)

#### Clarity

The definition, perimeter and underlying methodologies for the selected KPI are defined and disclosed in the Framework. The Issuer has provided the following calculation formula: Percentage of Renewable Energies in Albioma's Energy Mix = *Production of Renewable Energy / Total Energy Output*<sup>17</sup>. The KPI definition does not rely on external references but allows its benchmark.

Considering Albioma's core business activity, the rationale and process for the selection of the KPI is considered relevant and is clearly disclosed within its Framework, in line with best practices taken into account in Vigeo Eiris methodology. In addition, the Issuer highlights that due to the specific context of isolated networks (i.e. islands in Overseas France), their stability is a key challenge. The objective to make territories more independent from fossil energies and to lower their carbon footprint can be achieved through the use of renewable sources of energy such as biomass, solar and wind.

#### Exhaustiveness

Albioma reports that the perimeter of reporting includes 100% of its activities, excluding its minority stakes in Mauritius. The Issuer commits to report publicly any change in the perimeter of the reported KPI.

---

<sup>17</sup>The Issuer defines the Total Energy Output by the production of energy from all sources per calendar year (expressed in GWh)

## Principle 2. Calibration of Sustainability Performance Targets (SPTs)

The SPTs demonstrate an advanced level of ambition, in comparison with (i) the Issuer's ESG strategy and performance and (ii) existing international standards. The timeline, baseline and trigger events are clearly disclosed for the KPI.

The contemplated Framework is aligned with the "Calibration of Sustainability Performance Targets" principle of the ICMA's Sustainability-Linked Bond Principles.

### KPI: Percentage of renewable energies in Albioma's Energy Mix

By using the percentage of renewable energies in Albioma's energy mix over the years, the data set should fairly reflect positive or negative KPI's trends of the Issuer's commitment to fight climate change, thus enabling the investors to make an appropriate assessment of the overall environmental performance. The variation of the bonds/loans' financial and/or structural characteristics is conditioned by the achievement of between 95% and 100% of renewable energies by 2030 compared to 66.5% in 2019.

Table 3 – Albioma's percentage of renewable energies in the company's energy mix (%)

	Reported data					Forecast		
	2015	2016	2017	2018	2019	2023	2025	2030
<b>KPI</b>	45.1%	50.7%	53.3%	62.34%	66.5%	80%	90%	95%-100%
Annual variation (% points)		+5.6	+2.6	+9.04	+4.16	+13.5	+10	+5-10
		+21.4				+28.5		
Average annual variation (% points)	+5.35					+2.6		

Vigeo Eiris considers that Albioma's renewable energy targets' trend shows an advanced<sup>18</sup> level of ambition. According to the expected variations, the percentage of renewable energies will reach between 95% and 100% in 2030 compared to 66.5% in 2019, which represents an increase in 28 percentage points over 11 years. This increase represents an annual increase of 2.6 percentage points, which is however lower than the annual increase of 5.35 percentage points between 2015 and 2019. The Issuer reports that investments to reach its targets are significant. Since 2013, the conversion to biomass of Albioma's existing facilities accounts for more than half of the Group's investment plan and the conversions have to be implemented without disrupting the grid, which explains the lower annual increase forecasted for the 2023-2030 period.

IRENA<sup>19</sup> considers that in order to meet the objectives of the Paris Climate Agreement, the share of renewable energy in the power sector would need to increase from 25% in 2017 to 86% in 2050. Albioma reports an expected increase to between 95% and 100% in 2030 which is higher than IRENA's estimates. In addition, Albioma's 2023 target has been confirmed by the Assessing low Carbon Transition (ACT) to be compatible with the 2°C trajectory defined in the COP21 conference in 2015, strategy from which stems the Issuer's SPTs. Moreover, Albioma's transition strategy goes beyond the Group's obligations related to its Power Purchase Agreements (PPAs) or to applicable laws and regulations.

Moreover, the targets are consistent with the French Act no. 2015-992 of 17 August 2015<sup>20</sup> on energy transition for green growth that introduced the objectives for the overseas departments and regions to increase the proportion of renewable energies in these areas to 50% by 2020, and to achieve energy self-sufficiency by 2030, to which Albioma highly contributes through its renewable energy strategy development.

In 2015, Brazil had taken a commitment to reach 45% of renewables in its energy mix by 2030 in its "Intended Nationally Determined Contribution", and this level has already been reached.

<sup>18</sup> VE scale of assessment: Weak / Limited / Robust / Advanced

<sup>19</sup> <https://www.irena.org>

<sup>20</sup> <https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000031044385>

#### Means for achievement:

The means for achievement of Albioma's SPTs are credible and disclosed in the Framework as follows:

- Complete the conversion of one of the existing bagasse/coal-fired plants on La Reunion Island by end-2023 (either Albioma Bois-Rouge or Albioma le Gol);
- Complete the conversion of another of its existing bagasse/coal-fired plants from 2025 onwards;
- Develop internationally three new all-biomass production facilities; and
- Accelerate the development of the solar asset portfolio.

These means cover the main geographical locations of the Issuer's plants as well as the different sources of renewable energy in its installed capacity.

#### **Principle 3. Bond characteristics**

**The nature of the bond/loan's characteristics' variation and the trigger events are clearly disclosed in the Framework. The actual financial impact will be clearly disclosed in the pre-issuance template, included in the bond or loan documentation for each issuance.**

**The contemplated Framework is aligned with the "Bond Characteristics" principle of the ICMA's Sustainability-Linked Bond Principles.**

The communicated trigger events are the following:

1. Increase Albioma's percentage of renewable energies in the energy mix by 80% by 2023;
2. Increase Albioma's percentage of renewable energies in the energy mix by 90% by 2025;
3. Increase Albioma's percentage of renewable energies in the energy mix between 95% and 100% by 2030.

The Issuer reports that the variation in the instrument's characteristics will impact either the coupon/ interest rate and/or on the redemption price and/or, in the case of loans, take the form of compensatory measures.

The Issuer commits to disclose the actual amount of the financial impacts in the pre-issuance template<sup>21</sup>, included in the bond or loan documentation for each issuance.

V.E considers that, as of today, there is no sufficient information nor precedents in the market to appropriately assess the meaningfulness of the bond characteristics' variation and the potential best practices.

#### **Principle 4. Reporting**

**The selected KPI's internal control and reporting processes are relevant, transparent and enable to provide reliable data. All relevant information related to the KPI, including results, underlying methodologies and assumptions will be publicly disclosed by the Issuer. This information will be disclosed annually in the Issuer's reporting or website and until maturity of the Instruments.**

**The contemplated Framework is aligned with the "Reporting" principle of the ICMA's Sustainability Linked Bond Principles.**

---

<sup>21</sup> An example of the pre-issuance template is available in the Framework.

KPI : Percentage of renewable energies in Albioma's Energy Mix
<p><u>Reporting</u></p> <p>The Issuer will provide, on an annual basis and until maturity of the Instruments, the percentage of renewable energies in Albioma's energy mix.</p> <p>Albioma has been monitoring this KPI since 2011 and has been reporting on it since 2012. The process for monitoring, collection and reporting is clearly defined in internal documentation. Calculation methodologies have not evolved since 2011.</p>
<p><u>Control</u></p> <p>Consistency checks of the data are regularly conducted at different levels of the company, allowing an appropriate internal control:</p> <ul style="list-style-type: none"> <li>- The financial controller of the geographic concerned area reviews the data before reporting it to Group control and each inconsistency is investigated with the operational team;</li> <li>- Consistency checks are carried out with data production used for billing electricity and steam;</li> <li>- The Group Management Control calculates the monthly KPI and the CSR Department calculates the annual KPI on the basis of a specific annual reporting with data made available by local entities (including ex-post review of monthly data);</li> <li>- A consistency check is then performed with Group Management Control before the CSR Department includes the final KPI in the Registration Document.</li> </ul>
<p><u>Accessibility of the results</u></p> <p>The reporting will include, at least, the results, the underlying assumptions and calculation methodologies. In addition, Albioma commits to publicly report on the annual performance level of the selected KPI. Moreover, Albioma reports that when relevant, the company commits to include any re-assessments of KPI and/or restatement of the SPT and/or pro-forma adjustments of KPI scope.</p>

#### **Principle 5. Verification**

**The KPI will be annually verified by an external auditor and made publicly available. The achievement of the SPTs will be reviewed by an external auditor after each trigger event and the verification assurance report will be made available to relevant stakeholders.**

**The contemplated Framework is aligned with the "Verification" principle of the ICMA's Sustainability-Linked Bond Principles.**

The performance level of the selected KPI will be annually verified by an external auditor and will be made publicly available in the Issuer's annual reporting or on its website.

The achievement of the SPTs set by the Issuer will be externally verified after each trigger event (i.e. 2023, 2025 and 2030). The verification assurance report, confirming the performance against the SPTs and the related impact, and timing of such impact on the bond/loan financial characteristics, will not be publicly available but will be provided to relevant stakeholders (i.e. bondholders) as it is a private placement.

## 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 process and commitments applying to the intended issuance.

Vigeo Eiris' methodology for the definition and assessment of the corporation's ESG performance is based on criteria aligned with public international standards, in compliance with the ISO 26000 guidelines, and is organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Our evaluation framework of the material ESG issues have been adapted, based on the specificities of the Issuer's business activity.

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 Director of Methods. Our SPO are also subject to internal quality control at three levels (consultants in charge of the mission, Production Manager, and final review and validation by the Director of Sustainable Finance and/or the Director of Methods. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company, then the Director of Methods, and finally Vigeo Eiris' Scientific Council.

All employees are signatories of Vigeo Eiris' Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

### Part I. ISSUER

*NB: The Issuer has not been assessed following a complete process of rating and benchmarking developed by Vigeo Eiris.*

#### Management of 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 based on unproven facts.

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 is considered as long as it is public, documented and traceable.

Vigeo Eiris provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **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).
- **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).

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

17 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 specific nature of the controversial products or services provided by the company.

## **Part II. INSTRUMENTS**

*The KPIs and associated SPTs have been evaluated by Vigeo Eiris according to the SLLP and SLBP and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.*

### Review

We question the extent to which the alignment of the achieved results of the Issuer with the contemplated targets are annual.

### Selection of Key Performance Indicators (KPIs):

KPI's materiality and coherence with the Issuer overall sustainability strategy, KPI's measurability and clarity, internal and external control over the KPI's data, exhaustiveness of the perimeter.

### Calibration of Sustainability Performance Targets (SPTs):

Coherence of the SPTs with the overall sustainability strategy, ambition of the SPTs (compared the Issuer's own performance, sector peers and relevant international standards), trigger events' disclosure, means credibility (including scope and geographical coverage of the means).

### Bond characteristics:

Disclosure of the bond/loan characteristics' variation, meaningfulness of these variation.

### Reporting:

Reporting process formalisation and verification, data's accessibility.

### Verification:

Verifiatiion of the performance against the SPTs.

## Disclaimer

Transparency on the relation between V.E and the Issuer: V.E has carried out two audit mission or consultancy activity for Albioma. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E 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. 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 V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E 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.

Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E's website and on V.E's internal and external communication supporting documents.

© 2020 Vigeo SAS and/or its licensors and subsidiaries (collectively, "V.E"). All rights reserved.

V.E provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

V.E'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. V.E'S RESEARCH DOES NOT CONSTITUTE STATEMENTS OF CURRENT OR HISTORICAL FACT. V.E'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. V.E ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

V.E'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE V.E'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. V.E'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT V.E'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY V.E FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. V.E IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, V.E and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "**V.E Parties**") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any **V.E Party**, arising from or in connection with the information contained herein or the use of or inability to use any such information.

Additional terms For PRC only: Any Second Party Opinion or other opinion issued by V.E: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.