

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF AVANGRID'S GREEN BOND

May 09th, 2019

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion ("Second Party Opinion") on the sustainability credentials and management of the Green Bond (the "Bond") proposed to be issued by Avangrid ("Avangrid" or the "Issuer").

Our opinion is established according to Vigeo Eiris' Environmental, Social and Governance ("ESG") exclusive assessment methodology and to the International Capital Market Association's Green Bond Principles (the "GBP") voluntary guidelines, edited in June 2018.

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

- 1) **Issuer:** we assessed the Issuer's management of potential stakeholder-related ESG controversies and its involvement in controversial activities².
- 2) **Issuance:** we have assessed the coherence between the Bond and the Issuer's sustainability strategy, the contribution of the Bond to sustainability and its alignment with the Green Bond Principles.

Our sources of information are multichannel, combining public information, press content, stakeholder information, information from our ESG rating database; information provided by the Issuer through documents and data, and from interviews with managers of Avangrid via a telecommunications system. We carried out our due diligence on Avangrid's Framework and Eligible Projects in November 2017. Our due diligence was updated in May 2019.

We consider that we could access all the appropriate documents. We consider that the information provided enables us to establish our opinion with a reasonable level of assurance on its completeness, precision and reliability.

VIGEO EIRIS' OPINION

Vigeo Eiris considers that the Bond anticipated to be issued by Avangrid is aligned with the GBP voluntary guidelines (June 2018).

Vigeo Eiris expresses a reasonable³ assurance (our highest level of assurance) on the Bond's contribution to sustainable development.

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

- ▶ As of today, Avangrid faces four controversies (related to the domains of Environment and Business Behaviour). Three of the four controversies are addressed in *Avangrid's U.S. Securities and Exchange Commission* ("SEC") filings and the fourth controversy has been reported in the press. The frequency is considered occasional. The severity ranges from minor to high based on the analysis of its impact on both the company and its stakeholders. Avangrid's capacity to respond is considered as reactive: the company communicates in a detailed way on its position in relation to all cases and is remediative in relation to one case.
- ▶ The Issuer has a minor involvement in 1 of the 15 controversial activities analysed by our methodology, namely, Fossil Fuel Industry. Avangrid is not involved in any of the 14 other controversial activities.

2) **Issuance** (see Part II):

Avangrid has formalized the main characteristics of its Green Bond within a Framework for Green Financing (the "Framework", dated May 2019). The Issuer has committed to making this document publicly accessible on its website⁴ before the Bond issuance, in line with good market practices.

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

² The 15 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Fossil Fuels industry, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear power, Pornography, Reproductive medicine, and Tobacco.

³ Definition of Vigeo Eiris' scales of assessment (as detailed in the Methodology section of this document):

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

Level of Assurance: Reasonable, Moderate, Weak.

⁴ www.avangrid.com

2) **Issuance** (continued):

We are of the opinion that the Green Bond contemplated by Avangrid is coherent with the main environmental responsibility issues of its sector, as well as with the sustainability commitments of the Issuer; and that the Bond contributes to the realization of these commitments.

Use of Proceeds:

- ▶ The net proceeds of the Green Bond will finance and/or refinance, in part or in full, one or more Eligible Projects, namely: Renewable Energy and Transmission and Distribution Network (as defined herein), which are formalized in the Framework. Of note, the Issuer has already selected a list of nine Eligible Projects, which fall into the Renewable Energy category. We consider that the categories and list of Eligible Projects have been clearly defined.

Eligible Projects are intended to contribute to two environmental objectives, namely: climate change mitigation and energy transition and management. These objectives are considered clearly defined and relevant.

Eligible Projects have the potential to provide clear environmental benefits. The Issuer has established quantified targets for the expected environmental benefits (outcomes) of each of the Eligible Projects. The Issuer will assess and quantify the environmental impacts of the Eligible Projects one year after the issuance (see Reporting section).

In addition, Eligible Projects are likely to contribute to two United Nations Sustainable Development Goals ("UN SDGs"), namely: SDG 7. Affordable and Clean Energy and SDG 13. Climate Action.

The Issuer has transparently communicated that the look-back period for refinanced Eligible Projects, will not exceed 24 months prior to the date of issuance, in line with best market practices and communicated the estimated refinancing share of the list of Eligible Projects (see page 5).

Process for Project Evaluation and Selection:

- ▶ The governance and the process for the evaluation and selection of the Eligible Projects are considered transparent and relevant. They have been clearly defined and formalized in the Framework.

The process is based on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives of the Bond.

The identification and management of the environmental and social risks associated with the Eligible Projects is considered good.

Management of Proceeds:

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

Reporting:

- ▶ The reporting processes and commitments are good. The selected indicators fully cover the allocation of funds and the environmental benefits (outputs and impacts) of the Bond in a relevant manner.

The Issuer has committed to support its Green Bond issuance with the following external reviews:

- A pre-issuance consultant review: A Second Party Opinion ("SPO") delivered by Vigeo Eiris, covering all the features of the Bond, based on pre-issuance assessment and commitments. The Issuer has committed to publish the SPO Issuer on its website.
- An external verification: performed by an independent third party upon full allocation of proceeds to verify that an amount equal to the net proceeds of the Bond has been allocated to the Eligible Projects.

This Second Party Opinion is valid for Avangrid's 2nd Green Bond issuance, scheduled for May 2019.

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DETAILED RESULTS

Part I. ISSUER

Avangrid is a sustainable energy and utility company engaged in the regulated energy distribution business through its subsidiary Avangrid Networks, Inc. and in the renewable energy generation business through Avangrid Renewables, LLC. Its headquarters are located in Orange, Connecticut, United States. The company employs around 6,500 people and serves approximately 3.2 million customers throughout New York and New England. The company was formed by a merger between Iberdrola USA, Inc. and UIL Holdings Corporation, in 2015.

Management of stakeholder-related ESG controversies

As of today, Avangrid faces four controversies related to two domains analysed by Vigeo Eiris, namely: Business Behaviour and Environment. Three of the four controversies are addressed in *Avangrid's SEC filings* and the fourth controversy has been reported in the press:

- Business Behaviour, in the criterion of "Responsible Customer Relations":
 1. California Energy Crisis Litigation
 2. New York State Department of Public Service Investigation of the Preparation for and Response to the March 2017 Windstorm / New York State Department of Public Service Investigation of the Preparation for and Response to the March 2018 Winter Storms
- Business Behaviour, in the criteria of "Responsible Customer Relations" and "Anti-competitive practices":
 3. Class Actions Regarding LDC Gas Transportation Service on Algonquin Gas Transmission
- Environment, in the criterion of "Industrial accidents and pollution":
 4. Connecticut Natural Gas Corporation (CNG) fined USD 1.5 million for pipeline safety issues

Frequency: The frequency of the cases is considered occasional (scale: isolated, occasional, frequent, persistent), while the sector average is isolated.

Severity: The level of severity ranges from minor to high (scale: minor, significant, high, critical) based on the analysis of their impact on the company and its stakeholders: the company faces one case of minor severity (case 4), two cases of significant severity (cases 2 and 3) and one case of high severity (case 1). No critical cases were identified.

Responsiveness: Avangrid is considered overall reactive (scale: proactive, remediative, reactive, non-communicative), in line with the sector average: Avangrid implements remedial actions for the case of minor severity, it communicates in a detailed way on its position in relation to all cases.

Involvement in controversial activities

Regarding the involvement in the 15 controversial activities analysed by Vigeo Eiris, Avangrid has a minor involvement in the Fossil Fuels Industry. The company's revenue from fossil fuels is estimated to be less than 10% of the company's total revenue. The revenue is derived from two natural gas thermal power plants, Klamath Cogeneration and Klamath Peak, and from the storage of natural gas. The thermal power plants have 636 MW of generating capacity and are operated by Pacific Klamath Energy Inc. (an Avangrid Renewables affiliate). In 2018, as calculated by Vigeo Eiris, these plants generated approximately 7.3% of the total electricity sold by the Company. Three Avangrid Networks companies are involved in LNG plants operations. Connecticut Natural Gas (CNG) owns and operates a LNG plant which can store up to 1.2 Bcf of natural gas, Southern Connecticut Gas (SCG) has contract rights to and operates a similar plant, which can also store up to 1.2 Bcf of natural gas, and Berkshire Gas (BGC) owns and operates a small LNG plant which can store up to 0.01 Bcf of natural gas.

Avangrid is not involved in any of the other 14 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal welfare, Chemicals of concern, Civilian firearms, Coal, Tar sands and oil shale, Gambling, Genetic engineering, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine, and Tobacco.

The controversial activities research provides screening on companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from Vigeo Eiris.

Part II. ISSUANCE

Coherence of the issuance

Context: The North American 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 Green Bond contemplated by the Issuer is coherent with the main environmental responsibility issues of its sector, as well as with the sustainability commitments of the Issuer; and that the Green Bond contributes to the realization of these commitments.

Avangrid states that the development of clean energy and respect of the environment are pillars of its energy production model and operations. In this sense, the company has established Corporate Policies to enforce its commitment to environmental protection and sustainable development. In particular, Avangrid has formalized its commitments to develop renewable energy and reduce its corporate carbon footprint by setting quantitative targets:

- Increase renewables installed capacity by more than 30% by 2020 (compared to a 2015 baseline), and/or
- Reduce its CO₂ emissions intensity by 25% by 2020 (compared to a 2015 baseline) and to be carbon neutral by 2035.

In 2018, the company's carbon emissions intensity was 54g CO₂/kWh, which represents a reduction of approximately 15% compared to the 2015 baseline and was eight times lower than the U.S. utility industry average.

By issuing a Green Bond to finance and refinance Eligible Projects, Avangrid coherently responds to the above-mentioned commitments and addresses the main issues in terms of environmental responsibility of its sector.

Use of Proceeds

The net proceeds of the Green Bond will finance and/or refinance, in part or in full, one or more Eligible Projects, namely: Renewable Energy and Transmission and Distribution Network, which are formalized in the Framework. Of note, the Issuer has already selected a list of nine Eligible Projects, which fall into the Renewable Energy category. We consider that the categories and list of Eligible Projects have been clearly defined.

Eligible Projects are intended to contribute to two environmental objectives, namely: climate change mitigation and energy transition and management. These objectives are considered clearly defined and relevant.

Eligible Projects have the potential to provide clear environmental benefits. The Issuer has established quantified targets for the expected environmental benefits (outcomes) of each of the Eligible Projects. The Issuer will assess and quantify the environmental impacts of the Eligible Projects one year after the issuance (see Reporting section).

In addition, Eligible Projects are likely to contribute to two United Nations Sustainable Development Goals ("UN SDGs"), namely: SDG 7. Affordable and Clean Energy and SDG 13. Climate Action.

The Issuer has transparently communicated that the look-back period for refinanced Eligible Projects, will not exceed 24 months prior to the date of issuance, in line with best market practices and communicated the estimated refinancing share of the list of Eligible Projects (see page 5).

The Issuer has formalized the main characteristics of the categories of Eligible Projects in the Framework:

Eligible Projects categories	Definitions	Environmental benefits
Renewable Energy	Investment in the construction and development of renewable electricity production units: <ul style="list-style-type: none"> • Wind (onshore and offshore) • Solar (photovoltaic and Concentrating Solar Power Plant) 	Climate change mitigation <i>GHG emissions avoidance (renewable electricity generation)</i>

Eligible Projects categories	Definitions	Environmental benefits
Transmission and Distribution Network	Investment in transmission and distribution network projects having the purpose of: <ul style="list-style-type: none"> • Connecting renewable energy sources or • Reducing greenhouse gas emissions through installation of equipment that will improve system efficiency or energy use management (e.g. automated metering, transmission built for the purpose of connecting renewable generation resources) 	Climate change mitigation and energy transition <i>GHG emissions reduction and avoidance</i> --- Energy management <i>Energy savings</i>

For this Green Bond issuance, Avangrid intends to finance and refinance a list of nine already identified Eligible Projects that fall in the “Renewable Energy” category (wind energy projects). The share of refinancing is estimated to be around 22%. The operation date of Eligible Projects is between 2019 and 2020. All projects are located in the United States and are 100% owned by Avangrid, except for Coyote Ridge in which Avangrid will retain a 10% interest after construction is completed.

Eligible Project	Location	Detailed technology	Operational date	Total capacity installed (MW)
Patriot	TX, US	Vestas V136 3.8 (58) Vestas V126 3.45 (5)	2019	226,1
Karankawa	TX, US	GEWE 2.3 (10) & GEWE 2.5(105)	2019	307,06
Montague	OR, US	Vestas V136 3.8 (51) Vestas V126 3.45 (4)	2019	200,9
Otter Creek	IL, US	Vestas V136 3.6 (40) Vestas V126 3.45 (4)	2019	158,2
Coyote Ridge	MN, US	GEWE 116m 2.3 (4) & GEWE 127m 2.52 (35)	2019	97,4
Mountain View III (repower)	CA, US	Vestas V-47 (34)	2020	22,4
Colorado Green (repower)	CO, US	GEWE 1.5s (54)	2020	162,0
Trimont (repower)	MN, US	GEWE 1.5s (67)	2020	100,5
La Joya	MN, US	GEWE 116m 2.3 (7) & GEWE 127m 2.5 (30)	2020	166,1

In addition, Eligible Projects are likely to contribute to two United Nations Sustainable Development Goals (“UN SDGs”), namely: **SDG 7. Affordable and Clean Energy** and **SDG 13. Climate Action**.

Eligible Project Category	Identified SDG	Target
Renewable Energy	SDG 7. Affordable and Clean Energy	7.2
	SDG 13. Climate Action	
Transmission and distribution network	SDG 7. Affordable and Clean Energy	7.3
	SDG 13. Climate Action	



UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all. More precisely, SDG 7 targets by 2030 include:

- 7.2 Increase substantially the share of renewable energy in the global energy mix
- 7.3 Double the global rate of improvement in energy efficiency



UN SDG 13 consists in taking urgent action to combat climate change and its impacts.

Energy companies can contribute to this goal by supporting the transition to net-zero carbon energy, and by developing and sharing scalable systems to improve the efficiency and sustainability of production across the value chain.

Process for Project Evaluation and Selection

The governance and the process for the evaluation and selection of Eligible Projects are considered transparent and relevant. They have been clearly defined and formalized in the Framework.

The process for the evaluation and selection of Eligible Projects is reasonably structured.

- The evaluation and selection of Eligible Projects is based on relevant internal expertise with well-defined internal roles and responsibilities:
 - Avangrid has established a Green Financing Committee chaired by Avangrid’s Treasurer and populated by management representatives in charge of the production of the Sustainability Report, representatives from the relevant Networks/Renewables businesses segments, a representative from the legal staff and a representative from the CEO’s staff.
 - The Green Financing Committee will be responsible for identifying, evaluating and selecting the Eligible Projects to be financed by the Bond based on the eligibility criteria formalized in the Framework.
- The verification and traceability are ensured throughout the process:
 - Green Financing Committee will annually verify if all projects continue to comply with the eligibility criteria established by the Framework. In the case a project fails to meet the eligibility criteria, the Green Financing Committee will be charged with substituting it with an alternative Eligible Project.
 - Meetings will be organized by the Committee Chair, who will create meeting minutes, which will be shared with the Assistant Corporate Secretary, ensuring decision traceability.
 - An area for improvement is that an internal auditor and an independent external auditor verify the compliance of Eligible Projects with the evaluation and selection process, including the eligibility criteria.

The process is based on explicit eligibility criteria (selection and exclusion), relevant to the environmental objectives of the Bond.

- The eligibility requirements are based on the definition of each Eligible Projects' category, complemented by additional relevant criteria.
- All Eligible Projects are located in the United States.
- The remaining project expected life has to be beyond the maturity date of the contemplated financing.
- The financeable amount of the project has not been encumbered by a third party or allocated under another green financing instrument.
- The project has to have material and measurable attributes that contribute to SDG 7 and/or SDG13.
- The project development, construction and operation has been carried out in compliance with Avangrid Corporate Policies.
- The Issuer has committed to exclude any project subject of any material adverse events, which is defined by the Issuer as an event reportable to the U.S. Securities and Exchange Commission, related to Avangrid's Corporate Governance and Regulatory Policies, Social Responsibility Policies and Compliance Policies at the Project level that result in litigation or material regulatory sanctions or fines.

The identification and management of the environmental and social risks associated with the Eligible Projects is considered good.

- The identification and management of environmental risks is considered good, including: environmental management, biodiversity protection and pollution prevention and control (all Eligible Projects have been subject to Environmental Impact Assessments).

Areas for improvement include the implementation of measures to address and manage end-of-life of equipment and infrastructures (batteries, generators, cables...), implement certified environmental management systems and conduct climate adaptation risk assessments in all the Eligible Projects.

- The identification and management of social risks is considered good, including: respect of human and labour rights, health and safety management measures covering all project workers, promotion of local socioeconomic development, dialogue with local stakeholders and populations, and responsible relations with suppliers, contractors and subcontractors.
- The management of project governance risks is considered good, namely: business ethics and integrity and audit and internal control.

An area of improvement is conducting environmental and social risk mappings for all the Eligible 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 transparent and documented allocation process.

The allocation and tracking processes are clearly defined:

- The net proceeds of the Bond will be managed either within Avangrid's treasury liquidity portfolio or through "projects companies" (i.e. companies established to hold specific Eligible Projects). Avangrid will track and report on proceeds disbursement in its Sustainability Report until all net proceeds are disbursed.
- Avangrid has committed to allocate all proceeds to the Eligible Projects at settlement or, within 30 months thereof. An area for improvement is to limit the allocation period to 24 months, in line with best market practices.
- The Issuer has transparently communicated the intended types of temporary placements used to manage and track unallocated proceeds:
 - When net proceeds flow into the general corporate treasury, unallocated proceeds will be tracked through the general accounting and management reporting systems in which expenditures on Eligible Projects can be identified. Unallocated funds would be used to improve Avangrid's liquidity position by reducing revolving borrowings or investment in safe, liquid short-term investments.

- When net proceeds flow into a project company, Avangrid will establish separate accounts and is committed to invest unallocated funds in liquid short-term investment instruments.

An area for improvement is committing to use temporary placements for the balance of unallocated proceeds which do not include GHG intensive or controversial activities.

- In case of project divestment or if a project fails to comply with eligibility criteria, the Issuer commits to replace this project with another Eligible Project selected by the Green Financing Committee within 6 months, where feasible. The potential changes in the Bond portfolio will be included in Avangrid's Sustainability Report.

Traceability and verification are guaranteed throughout the process:

- The Green Financing Committee will annually verify that the net proceeds of the Bond match the allocations to Eligible Projects and that these meet the eligibility criteria, until full allocation of proceeds.
- An external auditor will verify, upon full allocation of proceeds, that an amount equal to the net proceeds of the Bond has been allocated to the Eligible Projects.

Reporting

The reporting processes and commitments are good. The selected indicators fully cover the allocation of funds and the environmental benefits (outcomes and impacts) of the Bond.

The process for monitoring, data collection, consolidation and reporting are clearly defined in internal documentation. We have recommended formalizing this process in the Framework.

This process relies on relevant internal and external expertise:

- Relevant people across Avangrid's business segments will be in charge of collecting and transmitting environmental and social information through the dedicated Group's internal system, at facilities and/or units' levels. Management representatives will be in charge of the production of the Sustainability Report (including the Vice President of External Communications).
- Iberdrola's sustainability management unit will coordinate the work for producing the impact reporting, using recognized and publicly accessible methodologies⁵.

The Issuer has committed to annually reporting on the Bond until its maturity date and to make these reports publicly accessible on Avangrid's website:

- The reporting will be included in Avangrid's Sustainability Report.
- The Green Financing Committee will review and ratify the reporting to be made in Avangrid's Sustainability Report.
- Projects will be added to the report once the Issuer has approved and determined a project as eligible.

The Issuer has committed to transparently communicating on:

- Green financing instrument characteristics: The selected indicators are considered relevant.

Indicators
- Issuing entity
- Issue date
- Issue identification number (e.g., ISIN, CUSIP)
- Face value
- Maturity date
- Coupon
- Allocation of Green Financing net proceeds that occurred during the last FY
- Disposition of unallocated proceeds
- Amount of unallocated proceeds

⁵ Iberdrola declares to draw up its GHG direct and indirect emissions reports according to the requirements established in standard UNE-EN-ISO 14064-1:2012. Iberdrola's GHG inventory is annually verified by an external auditor (limited assurance).

- Use of Proceeds at Eligible Project level: The indicators selected to report on the allocation of proceeds are considered relevant.

Use of Proceeds Indicators	
-	Business segment in which the asset is located
-	Type of asset (e.g., Networks, Onshore wind)
-	Name of the project
-	Project location (County and State)
-	Start-up year
-	Amount allocated to project
-	% of the project owned by Avangrid
-	Refinancing share (%) at portfolio level.

- Environmental benefits (outputs and impacts) at Eligible Project Category: The selected indicators are considered relevant.

Eligible Project Category	Environmental benefits indicators	
Renewable Energy	<u>Output:</u> <ul style="list-style-type: none"> - Installed capacity (MW) - Electricity produced (GWh) 	<u>Impact:</u> <ul style="list-style-type: none"> - GHG emissions avoided (tCO₂e)
Transmission and Distribution Network	<u>Output:</u> <ul style="list-style-type: none"> - Automated meters installed - New / total miles of transmission lines dedicated to delivering renewable power 	

The key underlying methodology and/or assumptions used in the quantitative determination will be disclosed in the Green Bond's reports. On note, impact reporting indicators will be calculated by Iberdrola, based on project information collected by Avangrid and relying on clearly defined and recognized calculation methodology.

Although not specifically verified at Avangrid's level, it is worth mentioning that the Group's reporting is annually verified by a third-party. An area for improvement is that the content of the Green Bond's reports (data on the environmental benefits obtained) is verified by an independent third party.

The management of environmental and social risks of each project will be reported at corporate level only, through the annual Group Sustainability Report, which is available on the Group's website. For all Eligible Projects, Avangrid may integrate additional qualitative or quantitative indicators as considered appropriate to disclose relevant performances or details on the projects. An area for improvement is integrating ESG qualitative and quantitative indicators to report on the management of the projects, depending on the available information and ESG matters relevance.

METHODOLOGY

In Vigeo Eiris' view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organization, activity or transaction. In this sense, Vigeo Eiris writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the objectives, management and reporting of the projects to be (re)financed.

Vigeo Eiris' methodology for the definition and assessment of the 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 our generic Waste & Water Utilities sector ESG assessment frameworks and specific issues considering 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 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 related to ESG issues has not been assessed through a complete process of rating and benchmark developed by Vigeo Eiris.

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, preventive, 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

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

Use of proceeds

The use of proceeds guidelines is defined to ensure that the funds raised are used to finance and/or refinance 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 objectives. The contribution of Eligible Projects to sustainable development is evaluated based on the United Nations Sustainable Development Goals.

Process for evaluation and selection

The evaluation and selection process have 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 Bond's 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 (outcomes and impact indicators) and on the responsible management of 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 9 001 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.

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