

SECOND PARTY OPINION¹

ON THE SUSTAINABILITY OF AVANGRID'S GREEN BOND

April 2020

SCOPE

Vigeo Eiris was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Bond² (“Bond”) proposed to be issued by Avangrid (the “Issuer”) in compliance with the Framework for Green Financing (the “Framework”) created to govern their issuance.

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

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

- 1) **Issuer**³: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities⁴.
- 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, press content providers and stakeholders, (ii) Vigeo Eiris’ exclusive ESG rating database, and (iii) the Issuer, provided through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance.

We carried out our due diligence assessment in November 2017, and it was updated in May 2019 and March 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited.

VIGEO EIRIS’ OPINION

Vigeo Eiris is of the opinion that Avangrid’s Framework for Green Financing is aligned with the four core components of the Green Bond Principles 2018.

We express a reasonable assurance⁵ (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 today, Avangrid faces two controversies (related to the domain of Business Behaviour). Both controversies are addressed in Avangrid’s U.S. Securities and Exchange Commission (“SEC”) filings. The frequency is considered isolated. The severity ranges from significant to high based on the analysis of its impact on both the company and its stakeholders. Avangrid’s capacity to respond is considered reactive: Avangrid communicates in a detailed way on its position in relation to case 1 and implemented corrective measures which were imposed by a third party for case 2.
- ▶ The Issuer has a minor involvement in 1 of the 17 controversial activities analysed by our methodology, namely, Fossil Fuels Industry. Avangrid is not involved in any of the other 16 controversial activities⁴.

¹ 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).

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 Issuer’s ESG performance was not part of the due diligence of this Second Party Opinion.

⁴ The 17 controversial activities analysed by Vigeo Eiris are: Alcohol, Animal Welfare, Cannabis, Chemicals of Concern, Civilian Firearms, Fossil Fuels Industry, Coal, Unconventional Oil and Gas, Gambling, Genetic Engineering, Human Embryonic Stem Cells, High Interest Rate Lending, Military, Nuclear Power, Pornography, Reproductive Medicine, and Tobacco.

⁵ 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):

The Issuer has described the main characteristics of the Bond in its Framework for Green Financing which covers the four core components of the GBP 2018 (the last updated version was provided to Vigeo Eiris on March 6th, 2020). The Issuer has committed to make this document publicly accessible on Avangrid's website before the Bond's issuance date, in line with good market practices.

We are of the opinion that the Framework for Green Financing is coherent with Avangrid's main sector sustainability issues, with its publicly disclosed strategic sustainable development priorities, and that it contributes to achieve its sustainable development commitments and targets.

Use of Proceeds

- ▶ The net proceeds of the Bond will finance and/or refinance, in part or in full, projects falling under two Eligible Project Categories ("Eligible Categories"), namely: Renewable Energy, and Transmission and Distribution Network. Of note, the Issuer has already selected a list of seven Eligible Projects, which fall into the Renewable Energy category. We consider that the Eligible 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 formalized in the Framework and are considered clearly defined and relevant.
- ▶ Eligible Projects are considered 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 ("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 that the estimated refinancing share is around 23%.

Process for Projects Evaluation and Selection

- ▶ The governance and process for the evaluation and selection of Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.
- ▶ 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 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 appear to be good, covering both the funds allocation and the environmental benefits (outcomes and impacts) of the Eligible Projects.

Avangrid has committed that its Green Bond will be supported by external reviews:

- 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 website⁶, at the date of issuance.
- An annual verification: an external verification performed by a third-party auditor 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 based on the review of the information provided by the Issuer, according to our exclusive assessment methodology and to the GBP voluntary guidelines (June 2018). Avangrid 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 Second Party Opinion and its compliance with then-current standards and market practices and expectations.

Paris, April 5th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has carried out two audit missions for Avangrid (delivery of Second Party Opinion in November 2017 and May 2019) and no consultancy activities over the past 5 years. No relationship (financial or other) exists between Vigeo Eiris and Avangrid. Vigeo Eiris has executed previous audit missions for Iberdrola (Second Party Opinion deliveries on previous Green Instruments – bonds and loans) and no consultancy over the past 5 years. No established relationship (financial or other) exists between Vigeo Eiris and Iberdrola.

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 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. 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 the 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.

Restriction on distribution and use of this opinion: The deliverables remain the property of Vigeo Eiris. The draft version of the Second Party Opinion by Vigeo Eiris is for information purpose only and shall not be disclosed by the client. Vigeo Eiris 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 Vigeo Eiris reserves the right to publish the final version of the Second Party Opinion on Vigeo Eiris' website and on Vigeo Eiris' internal and external communication supporting documents.

⁶ <https://www.avangrid.com>

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. Avangrid Renewables owns and operates 8.0 gigawatts of electricity capacity, primarily through wind power, with a presence in 21 states across the United States. The company employs around 6,600 people and serves approximately 3.3 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. Iberdrola S.A. directly owns 81.5% of outstanding shares of Avangrid common stock.

Management of stakeholder-related ESG controversies

As of today, Avangrid is facing two controversies related to one of the domains analysed by Vigeo Eiris, namely: Business Behaviour. Both controversies are addressed in Avangrid's U.S. Securities and Exchange Commission ("SEC") filings:

- 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

Frequency: On average, the frequency of the controversies is considered isolated – in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered high for case 1 and significant for case 2 (scale: minor, significant, high, critical) – in line with the sector average. No critical cases were identified.

Responsiveness: Avangrid is overall reactive (scale: proactive, remediative, reactive, non-communicative), in line with the sector average: Avangrid communicates in a detailed way on its position in relation to case 1 and implemented corrective measures which were imposed by a third party for case 2.

Involvement in controversial activities

Regarding the involvement in the 17 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 1% of the company's total revenue. The revenue is derived from two natural gas thermal power plants, Klamath Cogeneration and Klamath Peakers, 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 2019, these plants generated 17% of the total electricity produced 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 16 controversial activities screened under Vigeo Eiris methodology, namely: Alcohol, Animal Welfare, Cannabis, Chemicals of Concern, Civilian Firearms, Coal, Unconventional Oil and Gas, Gambling, Genetic Engineering, Human Embryonic Stem Cells, 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 between the Issuance and the Issuer**

Context note: 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 contemplated Bond is coherent with Avangrid's strategic sustainability priorities and sector issues and contribute to achieving the Issuer's sustainability commitments and targets.

Avangrid appears to acknowledge its role in providing solutions to support society's transition to a low carbon and sustainable economy. 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 the end of 2020 (compared to a 2015 baseline), and/or
- Reduce its CO₂ emissions intensity by 25% by the end of 2020 (compared to a 2015 baseline) and to be carbon neutral by 2035.

In 2019, the company's carbon emissions intensity was 73.4g CO₂/kWh, which represents an increase of approximately 16% compared to the 2015 baseline, and six times lower than the 2019 U.S. utility average. Avangrid declared that CO₂ emissions intensity increased in 2019 as compared to 2018 due to unprecedented need for power from Avangrid's Klamath co-generation plant, which compensated for an atypically low level of hydroelectric generation in the Northwest last year, coupled with low than expected wind resource. Despite this increase, Avangrid has reconfirmed its commitment to reducing its CO₂ emissions intensity and contributing to a low-carbon and sustainable future, delivering clean, low emission energy, minimizing the environmental impact of our activities and supporting and promoting actions that address climate change.

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 Bond will finance and/or refinance, in part or in full, projects falling under two Eligible Project Categories (“Eligible Categories”), namely: Renewable Energy, and Transmission and Distribution Network. Of note, the Issuer has already selected a list of seven Eligible Projects, which fall into the Renewable Energy category. We consider that the Eligible 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 formalized in the Framework and are considered clearly defined and relevant.

Eligible Projects are considered 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).

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 that the estimated refinancing share is around 23%.

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) 	<p style="text-align: center;">Climate change mitigation <i>GHG emissions avoidance (renewable electricity generation)</i></p>
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) 	<p style="text-align: center;">Climate change mitigation and energy transition <i>GHG emissions reduction and avoidance</i></p> <p style="text-align: center;">---</p> <p style="text-align: center;">Energy management <i>Energy savings</i></p>

For this Green Bond issuance, Avangrid intends to finance and refinance a list of seven already identified Eligible Projects that fall in the “Renewable Energy” category (wind and solar PV energy projects). The share of refinancing is estimated to be around 23%. The operation date of Eligible Projects is between 2020 and 2021. All projects are located in the United States and are 100% owned by Avangrid.

Eligible Project	Location	Technology	Detailed technology	Operational date	Total capacity installed (MW)
Tatanka	SD, US	Wind	35xGE127 2.5 89m/ 4xGE116 2.3 90m	2020	96.7
Roaring Brook	NY, US	Wind	14 x SGRE145 4.2-4.8MW, 145m rotor diameter, 107.5m hub height 6 x G114 2.625 MW, 114m rotor diameter, 93m hub height	2020	80,63
Lund Hill (PV)	WA, US	Solar PV	152.5MWac/ 193.7MWdc JA and Longi Bifacial PV	2021	152.5
Klondike II (repower)	OR, US	Wind	50 GE 1.62MW	2020	81
Colorado Green (repower)	CO, US	Wind	GEWE 1.5s (54)	2020	162,0
Trimont (repower)	MN, US	Wind	GEWE 1.5s (67)	2020	100,5
La Joya	MN, US	Wind	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 (“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 process for the evaluation and selection of Eligible Projects are formalized in the Framework. We consider that the process is reasonably structured, transparent and relevant.

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

The evaluation and selection of Eligible Projects is based on relevant internal expertise with well-defined internal roles and responsibilities:

- For the purpose of the Bond, a Green Financing Committee (the “Committee”) has been created. This Committee is composed of:
 - Avangrid’s Vice President – Treasurer (Chair)
 - A management representative in charge of the production of the Sustainability Report
 - Representatives from the relevant Networks and/or Renewables businesses segments
 - A representative from the legal staff
 - A representative from the CEO’s staff.

- The Committee is 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.
- Eligible Projects are already in operation, or expected to be in operation within 30 months, of the funding date and 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 management of proceeds 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 in Avangrid's 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 or used to temporarily reduce its short-term borrowings.

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 of both the tracking method and allocation of proceeds 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 appear to be good, covering both the funds allocation and the environmental benefits (outcomes and impacts) of the Eligible Projects.

The process for monitoring, data collection, consolidation and reporting are clearly defined in internal documentation. An area for improvement is formalizing this process in the Framework.

These processes are structured and based 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 methodologies⁷.

The Issuer has committed to annually report 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 Bond report to be included 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 communicate on:

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

Indicators
<ul style="list-style-type: none"> - 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

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

Use of Proceeds Indicators
<ul style="list-style-type: none"> - 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.

⁷ 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).

- 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 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 performance related to ESG issues has not been assessed through a complete process of rating and benchmark 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. ISSUANCE

The Framework has been evaluated by Vigeo Eiris according to the GBP 2018 and on our methodology based on international standards and sector guidelines applying in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and of their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds or Loans standards. Vigeo Eiris evaluates the definition of the Eligible Categories, as well as the definition and the relevance of the aimed sustainability objectives. We evaluate the definition of the expected benefits in terms of assessment and quantification. In addition, we evaluate the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process have been assessed by Vigeo Eiris on its transparency, governance and relevance. The eligibility criteria have been assessed on their explicitness and relevance vs. the intended objectives of the Eligible Projects. The identification and management of the ESG risks associated with the Eligible Projects are analysed based Vigeo Eiris' ESG assessment methodology, international standards and sector guidelines applying in terms of ESG management and assessment.

Management of proceeds

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

Reporting

Monitoring process and commitments, reporting commitments, reporting indicators and methodologies are defined by the Issuer to enable transparent reporting on the proceeds allocation and tracking, on the sustainable benefits (output and impact indicators) and on the responsible management of the Eligible Projects financed. Vigeo Eiris has evaluated the reporting based on its transparency and relevance.

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, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat and Santiago de Chile.

The Vigeo Eiris Global Network, comprising 4 exclusive research partners, is present in Brazil, Germany, Israel and Japan.

For more information: www.vigeo-eiris.com