



Green Bond Report 2020

DECEMBER 2020

Use of proceeds

Following the recommendations from the Green Bond Principles, Greenergy reports on the use of green bond proceeds signed in November 2019, as well as the environmental impacts of the projects financed with the proceeds.

The net proceeds of the Green Bonds were used to finance renewable energy projects exclusively, using wind or solar technologies, as stated in our Green Bond Framework, and no new eligible categories were added.

Project evaluation and selection

The projects financed are as follows:

- Solar photovoltaic projects:
 - o Quillagua (Chile): installed capacity of up to 100 MW.
 - o PMGD package (Chile): installed capacity of up to 90 MW.
- Wind (onshore) energy projects:
 - o Duna and Huambos (Peru): installed capacity of up to 36 MW.
 - o Kosten (Argentina): installed capacity of up to 24 MW

Within 12 months of the emission, 100% of the Green Bond proceeds (22M EUR) were allocated to 10 projects. None of the projects include storage with batteries.

Technology	Country	Project	Status	Capacity (MW)	Energy generation (MWh)	% of investment per country	Project lifetime yrs	Type of tariffs of the projects
Solar	Chile	Quillagua	Connected	103.6	305,620	88%	30	Spot price
		PMGDs	Connected	52.2	89,380		30	Stabilised price
Wind	Peru	Duna Huambos	Construction last phase	36	176,400	5%	30	PPA
	Argentina	Kosten	Construction last phase	24	120,790	0.07%	30	PPA
General			Development			7%		

7% of the funds were allocated to shared development expenses of eligible projects or expenses related to the emissions of bonds



Management of proceeds

An independent account program was created for the allocation of funds and the treasury team was responsible to ensure an appropriate management of the proceeds to finance only eligible projects, in line with the control system internally agreed that involves approval of transactions by two different staff members. The process of project evaluation and selection was overviewed by the Executive Committee at the bimonthly meetings ensuring that all projects comply with Greenergy's Sustainability Policies and with required local environmental regulations and permits.

All proceeds were allocated (in less than 12 months) and not invested in controversial activities.

No environmental or social controversies were encountered in any of the projects.

Environmental benefits

All the projects financed contribute to one main environmental objective, climate change mitigation.

At this report, Greenergy provides information about the indicators recommended by the Green Bond Principles for renewable energy projects, namely:

- Annual renewable energy generation in MWh/GWh (electricity): as indicated in the previous table.
- Capacity of renewable energy plant(s) constructed in MW: as indicated in the previous table
- Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent.

We estimate that the combined total energy generation of the projects financed will be 713 GWh/year and the total GHG emissions avoided will reach 250.000 tCO₂eq/year.

The conservative methodology from the Innovation Fund (InnovFund - Version 1.0, 1Dec20) for calculation of GHG emission avoidance was used, in conjunction with a projected emissions factor for the period 2017-2030, provided by the Chilean national association of power producers, since most of the funds financed projects in Chile (0,35 tCO₂/MWh).

Social benefits

During the construction phase of the projects financed by the Green Bonds, more than 230 jobs are estimated to have been generated to date.

We highlight our commitment to provide electricity to the remote village of Quillagua, located in the Atacama Desert, in the proximity of our solar project Quillagua (Chile). The village currently receives 11 hours of electricity per day, using a diesel-powered generator; our commitment involves continuous provision of electricity (24 hours) from renewable sources.



INDEPENDENT REVIEW¹

of the management of Greenergy's Sustainability Green Bond issued in 2019

V.E is of the opinion that the Sustainability Bond issued in 2019
by Greenergy **remains aligned** with the GBP 2018.



Key Findings¹

- ▶ We express a reasonable² assurance on the Issuer's capacity to use the Bonds' proceeds to finance Eligible Projects, in line with its initial commitments.
- ▶ We express a reasonable assurance on the Issuer's capacity to implement the evaluation and selection process, in line with its initial commitments.
- ▶ We express a reasonable assurance on the Issuer's capacity to implement the allocation process, in line with its initial commitments.
- ▶ We express a reasonable assurance on the Issuer's capacity to implement the reporting process, in line with its initial commitments:
 - First, we express a reasonable assurance on the Issuer's capacity to report on the fund allocation, in line with its initial commitments. The indicators used for the allocation reporting are complete and relevant, at project level.
 - We express a reasonable assurance on the Issuer's capacity to report on environmental benefits of the financed Eligible Projects, in line with its initial commitments. The indicators used for the environmental benefits reporting (outputs, outcomes and impacts) are relevant and in line with market standards.

SUMMARY : LEVEL OF ASSURANCE OF THE ISSUER'S CAPACITY TO REMAIN ALIGNED WITH THE GBP 2018				
USE OF PROCEEDS	ALLOCATION OF PROCEEDS	MANAGEMENT OF PROCEEDS	REPORT ON THE ALLOCATION OF PROCEEDS	REPORT ON THE ENVIRONMENTAL BENEFITS
Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Moderate	Moderate	Moderate	Moderate	Moderate
Weak	Weak	Weak	Weak	Weak

¹ This Review is to be considered as the "Consultant review" described by the International Capital Market Association (www.icmagroup.org).

² The detailed definition of V.E' scales of assessment can be found in the Methodology section.



SCOPE

In 2019 V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Green Bond Framework³ (“the Framework”) created by Greenergy (the “Issuer”). We issued our SPO on October 14th, 2019.

V.E has been commissioned by Greenergy to provide an independent opinion (or “Review”) on the management of its 2019 Green Bond issuance, based on the review of its Green Bond Report 2020 and internal documentation.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) - edited in June 2018.

Our opinion is built on the review of following components:

- Eligible Projects: evaluation of the Issuer’s capacity to use the Bond’s proceeds to finance Projects with sustainability benefits, and to report on the Projects outputs and impacts, in line with its initial commitments.
- Bond: evaluation of the Issuer’s capacity to implement the Bond’s processes, (evaluation and selection, and management of proceeds) and to report on the allocation of the Bond’s proceeds, in line with its initial commitments.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from November 16 to December 18, 2020. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

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³ The “Green Bond” is to be considered as the bond 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.



DETAILED RESULTS

Use of Proceeds

We express a **reasonable assurance** on the Issuer's capacity to use the Bonds' proceeds to finance the Eligible Projects, in line with its initial commitments.

According to the information provided by the Issuer, 100% of the net proceeds of the issuances have been used to finance Eligible Projects for a total amount of EUR 22 million. V.E had access to the last updated version of the Greenergy's Green Bond Report 2020. According to the Issuer, this report will be publicly available on December 2020.

In particular, the Bond's proceeds have been reported by the Issuer as used to finance one Eligible Category of Eligible Projects:

Renewable Energy

- ▶ Solar Photovoltaic projects:
 - Quillagua (Chile): Expected installed capacity of up to 100 MW, already in operations.
 - PMGD package (Chile): Expected installed capacity of up to 90 MW, already in operations.
- ▶ Wind (onshore) energy projects:
 - Duna and Huambos (Peru): 14 wind turbines and foundations, with a total installed capacity of up to 36 MW, in construction.
 - Kosten (Argentina): 7 wind turbines and foundations, with a total installed capacity of up to 24 MW, in construction.

The reported financed Eligible Projects appear to be in line with the Eligible Category initially defined by the Issuer in its Framework, namely: Renewable Energy which represents 100% of the total proceeds of the Bonds.



The Eligible Projects financed effectively contribute to the environmental objective initially identified by the Issuer, namely: climate change mitigation.

The Issuer had initially committed to assess the environmental benefits of the Bonds. We consider the environmental benefits to be clearly assessed.

The Issuer has reported that there was no refinancing.



We consider that the selected Eligible Projects are likely to contribute to two of United Nations’ Sustainable Development Goals (SDGs), namely: Goal 7: Affordable and Clean Energy and Goal 13: Climate Action.

ELIGIBLE CATEGORIES	UN SDGS IDENTIFIED	UN SGD TARGETS
Renewable Energy	 	<p>7.2 Increase substantially the share of renewable energy in the global energy mix</p> <p>UN SDG 13 consists in taking urgent action to combat climate change and its impacts.</p>



Evaluation and Selection of Eligible Projects

We express a **reasonable assurance** on the Issuer's capacity to implement the evaluation and selection process, in line with its initial commitments.

The evaluation and selection process of the Eligible Projects appears to be efficiently implemented. V.E had access to all the appropriate documents (see below).

- The process applied appears to be based on relevant internal and external expertise:
 - Since the issuance of the bond, the evaluation and selection of the projects has been overviewed by the Executive Committee, following meetings bimonthly.
 - In each meeting, all the projects were evaluated according to Greenergy's Sustainability Policy, required local environmental regulations and permits obtained for each project at each site.
- Traceability of the selection and evaluation process was ensured through the Executive Committee meetings which were subject to meeting minutes.
- Internal verification of the compliance of the selected Projects with the Framework and eligibility criteria was performed by the Executive Committee.
- The Issuer has avoided the construction of projects located in highly productive agricultural land. The Issuer undergoes Environmental Impact Assessment (EIA) for each project that include the assessment of the characteristics of the land prior to the site selection. V.E had access to the EIA reports as evidence to confirm this.
- Regarding the identification and management of Environmental and Social (E&S) risks associated with the Eligible Projects, V.E had access to the Environmental Impact Assessment (EIA) reports of all projects which appears to provide a complete risk assessment of each Eligible Project. The Issuer has performed internal E&S due diligences for all Eligible Projects financed by the Bond, including the Environmental Impact Assessment (EIA) and its annexes. Additionally, V.E had access to the questionnaires sent to suppliers used as a tool to manage and control environmental and social risks.
- The Issuer reported that all projects have Emergency plans and procedures, including instructions for alerting the local authorities if considered necessary. V.E had access to the internal documentation as evidence.
- Restoration plans are included in the EIA which include monitoring and activities to restore any environmental damage. Regarding the project in PMGD (Chile) a reforestation of a forest was conducted and monitored by local authorities. V.E had access to the document signed by the local authority and the Issuer.
- The Issuer has conducted an annual E&S controversy screening of its Projects, in line with its initial commitment. According to the Green Bond report 2020, no E&S controversies were identified in any project or site.



Management of Proceeds

We express a **reasonable level of assurance** on the Issuer's capacity to implement the allocation process, in line with its initial commitments.

The allocation process appears to be implemented, however VE did not have access to a financial audit. The Issuer states that the management of the proceeds has been made according to its initial commitment:

- The Issuer states that the net proceeds of the Bonds were deposited in an independent account program. The Treasury Manager and the Accountant were responsible for monitoring the appropriate management following the internal approval process for each transaction made to finance an Eligible Project. Additionally, the Chief Financial Officer (CFO) gave the final approval of the use of proceeds.
- All (100%) of the proceeds of the Bond were allocated to Eligible Projects within 12 months, in line with the Issuer's initial commitment and best practices.
- No divestments from Eligible Projects have been reported by the Issuer until today.

The allocation of funds appears to be appropriately tracked and internally verified. In addition, the Issuer has stated that specific reference to the allocation of proceeds from the Green Bond exclusively to the Eligible Category will be made in the consolidated annual accounts and financial statements, which are verified by an external auditor.

Monitoring & Reporting

We express a **reasonable level of assurance** on the Issuer's capacity to implement the reporting process, in line with its initial commitments.

The Issuer has reported annually on the Bonds, in line with its initial commitment. However, the Issuer states that the report will be made publicly available on its website as of December 2020, which will not be verified by VE.

First, we express a reasonable assurance on the Issuer's capacity to report on the fund allocation, in line with its initial commitments. The indicators used for the allocation reporting are complete and relevant, at country level, including:

- Confirmation from the Issuer that the use of the proceeds of the Green Bond comply with the Greenergy's Green Bond Framework.
- The number and type of Eligible Projects financed.
- The percentage of the Bond's proceeds allocated to Eligible projects per country.
- Type of tariffs of each Eligible project (PPA, merchant –spot market-, feed-in-tariff, etc.)



We express a reasonable assurance on the Issuer's capacity to report on the environmental benefits of the financed Eligible Projects, in line with its initial commitments. The indicators used for the environmental benefits reporting (outputs and impacts) are relevant and in line with market standards.

ELIGIBLE CATEGORY	ENVIRONMENTAL BENEFITS INDICATORS		V.E.'S OPINION
	OUTPUTS	IMPACT INDICATORS	
Renewable Energy (Solar PV and Wind energy projects)	- Installed capacity (MW) - Electricity produced (GWh)	Annual CO2 and other GHG emissions avoided (tCO2e)	The selected indicators are relevant and in line with ICMA's Harmonized Framework for Impact Reporting 2020.

In the Green Bond Report 2020, the Issuer reported on a social benefit indicator related to the estimated number of jobs created in all sites. The selected indicator is relevant and in line with the Issuer's initial commitment.

The calculation methodologies and assumptions for outcomes and impact indicators have been disclosed in the Issuer's report.

Although the Issuer has not mandated an external auditor (audit firm) to verify the environmental data included in the report, the data reported under the indicators of MW and MWh is public data published and verified by electrical national entities. In addition, the methodology used to calculate the data reported under the indicator of GHG emissions avoided (tCO2e) is transparently disclosed in the Green Bond Report 2020.



METHODOLOGY

In V.E' 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, V.E writes an opinion on the Issuer's Corporate Social Responsibility as an organization, and on the Issuances through the objectives, management and reporting of the assets/projects to be (re)financed.

V.E' methodology for the definition and assessment of the 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 relevant sector ESG assessment frameworks and on specific issues considering the Issuer's 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 V.E' Scientific Council. All collaborators are signatories of V.E' Code of Ethics.

ELIGIBLE BUSINESSES AND PROJECTS REVIEW

The analysis of the conformance with the Issuer's initial commitments covers both the eligibility criteria (based on the definition of Eligible Categories, use of proceeds requirements) and the selection criteria (based on the ESG commitments).

Our review covers both the implementation of the initial commitments made by the Issuer in the SPO, and its 2019 Sustainability Bond Report:

- Fund allocation, reporting on the use of proceeds, considered as a primary component and mandatory to achieve reasonable level of assurance at Bond portfolio level; and
- Social and environmental benefits, reporting on outputs, outcomes and impact indicators, considered as a primary component and mandatory to achieve reasonable level of assurance at Bond portfolio level.

BONDS REVIEW

The analysis of the implementation of the Bonds' processes and commitments covers:

- The evaluation and selection process, i.e. assessment of the coherence and efficiency of the implemented process, and of the exhaustiveness of the ESG issues covered; and
- The allocation of proceeds' process based on the rules for management of proceeds defined prior to the issuance of the Bonds.

The analysis of the existence and completeness of the reporting, at Bond portfolio level, according to the Issuer's initial commitments, also covers two components:

- Fund allocation, reporting on the aggregated use of proceeds, considered as a primary component and mandatory to achieve a reasonable level of assurance at Bond portfolio level;
- Social and environmental benefits, reporting on aggregated output and impact indicators, considered as a primary component and mandatory to achieve a reasonable level of assurance at Bond portfolio level;

REPORTING

The reporting indicators in place for the allocation of proceeds and for the sustainable benefits are evaluated according to the quality of the indicators (exhaustiveness and relevance), and considering the reporting nature and management (format, visibility, data collection, etc.).

The evaluation of the projects results is conducted at Bond portfolio level, including aggregated reporting, based on both social and environmental benefits, considered as essential to achieve a good performance.



V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.

Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.



DISCLAIMER

Transparency on the relation between V.E and the Issuer: V.E has executed one audit mission for Grenergy until so far (one Second Party Opinion in 2019). 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 a post-issuance independent review on the sustainability credentials and management of the Bonds 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. Providing this review does not mean that V.E certifies the effectiveness, the excellence or the irreversibility of the assets financed by the Bonds. 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 Bonds, 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.

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