



# Second Party Opinion

## Green Financing Framework

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# SUMMARY

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# EthiFinance General Opinion

EthiFinance considers Valorem’s Green Financing Framework (“the Framework”) to be **fully aligned** with ICMA 2021 Green Bond Principles and LMA 2021 Green Loan Principles. The Eligible project categories are activities listed as eligible to the EU Green Taxonomy<sup>1</sup>, contributing substantially to the objective of Climate Change Mitigation and the Eligible project categories demonstrate a relevant contribution to UN Sustainable Development Goals.

## 1. ESG maturity of Valorem

EthiFinance has evaluated Valorem’s ESG Performance as **Advanced**.



Valorem’s ESG performance is strong, and the company deploys robust policies to guide its day-to-day activities. Moreover, the Framework is consistent with the company’s strategy.

## 2. Compliance with ICMA and LMA Principles & Guidelines

[Not Aligned | Partially Aligned | ICMA & LMA Aligned | Leader]

### A. Use of Proceeds

#### ☑ ICMA & LMA ALIGNED

Valorem’s Eligible projects are aligned with the ICMA and LMA Principles and demonstrate clear environmental benefits. The link to Green market standards is clearly demonstrated in the framework, especially with regard to SDGs and the EU Taxonomy.

— **High Impact**

### B. Process for evaluation & selection

#### ☑ LEADER

EthiFinance considers the dedicated Green Bond Committee’s Governance and functioning to provide a robust framework for project evaluation and selection. It is considered aligned with ICMA’s Green Bond Principles. The validation criteria for selecting Eligible projects are clearly defined and in line with best market practice.

### C. Management of proceeds

#### ☑ LEADER

EthiFinance considers Valorem’s process for managing the proceeds to be transparent and robust, with the Framework providing sufficient information on the account used to receive the proceeds, the timeline for allocation and the management of unallocated funds.

### D. Reporting

#### ☑ ICMA AND LMA ALIGNED

EthiFinance considers the reporting commitments detailed in the Framework to be aligned with the ICMA and LMA Principles.

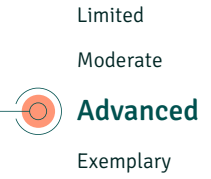
<sup>1</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R2139&from=EN>

# ESG maturity of Valorem

## GENERAL OPINION

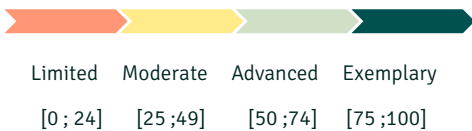
Valorem’s ESG performance is strong, and the company deploys robust policies to guide its day-to-day activities. Moreover, the issuance is consistent with the company’s strategy.

The company reaches an “Advanced” level of maturity in 2023 on the Ethifinance rating scale.



## A. ESG Performance

Valorem<sup>2</sup> ESG performance reaches an **Advanced** level of maturity in 2023 on the Ethifinance rating scale, with an average **ESG score of 72 out of 100**.



• Governance	60
• Social	65
• Environment	87
• External Stakeholders	100
<b>Valorem OVERALL SCORE</b>	<b>72</b>

The robustness of Valorem’s ESG maturity is based on the formalisation of an integrated and structured CSR strategy and specific objectives, the implementation of an Environmental Management System on each project (SME), and the certification of its activities (ISO 14001 and ISO 9001). Furthermore, VALOREM pursued in 2021 the status of “Entreprise à mission” and created a specific committee - composed of both external members with expertise in the energy sector and internal members - in charge of leading the company's extra-financial approach and managing its social and environmental impacts.

## B. Strategic consistency

The core activity of VALOREM - developing and operating renewable energy parks - contributes directly to the achievement of the following Sustainable Development Goals:



<sup>2</sup> The ESG assessment of Valorem has been made with One Track®, a scoring tool based on the Gaia Rating methodology developed by Ethifinance analysts who are specialized in ESG scoring and extra-financial ratings.

The assessment is based on 2022 data shared by Valorem.

## C. ESG risk management

The projects to be financed under the Green Finance Program are carefully defined in the Framework. The projects are aligned with the company's day-to-day activities, which are governed by well-established procedures. The company's CSR policy is built on three pillars, one of them being the responsible conduct of operations. To deploy this ambition, Valorem has established sound policies to guide its daily operations, such as: a formalised sustainability strategy, a business ethics and anti-corruption charter, a certified purchasing programme (ISO 20400 and ISO 9001), and a certified environmental management system (ISO 14001).

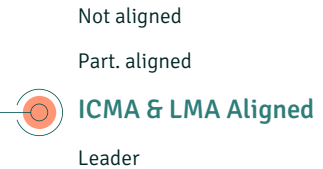
Finally, according to Ethifinance's controversy identification methodology, Valorem has not been the subject of any controversy deemed to be "serious".

# Compliance with ICMA & LMA Principles and guidelines

## A. Use of proceeds

### GENERAL OPINION

Valorem’s Eligible projects are aligned with the ICMA and LMA Principles and demonstrate clear environmental benefits. The link to Green market standards is clearly demonstrated in the framework, especially with regard to SDGs and the EU Taxonomy.



## PROJECT CATEGORIES

● **Project categories**  
Accuracy

Valorem has defined clearly two main eligible project categories in its framework: renewable energy production and renewable energy storage. For each category, Valorem listed the type of projects financed:

- Electricity generation using solar photovoltaic technology
  - Electricity generation from wind power
  - Electricity generation from ocean energy technologies
  - Electricity generation from hydropower
- Renewable energy production
- Storage of electricity
  - Storage of hydrogen
- Renewable energy storage

The proceeds will be used to finance the construction and operation of the Eligible projects, which will be located exclusively in Europe. Valorem intends to maintain the Eligible project in its portfolio and to operate the projects.

For hydropower, Eligible projects are only run-off river projects, which are considered to have smaller environmental impact than hydropower plants with dams.

● **Refinancing**

A look-back period of maximum 3 years has been defined. Valorem undertakes to communicate transparently and annually the breakdown between financing and refinancing through its reporting (see reporting).

**GREEN IMPACT**

Moderate Impact

Substantial Impact



<p>● <b>Environmental Objective</b> Accuracy</p>	<p>The eligible projects defined by Valorem are a clear contribution to the European Union’s climate objectives. In order to reduce EU’s greenhouse gas emissions by 55% in 2030, the Commission has identified several levers for action, one of them being to increase the share of renewable energy in total consumption. By 2030, the European Union aims to double that share of renewable energy in its total consumption, reaching 40% (vs. 22% in 2020).</p> <p>The eligible projects located in countries in which the energy mix is particularly emissive (i.e. Poland) will have a significantly higher impact.</p> <p>Focusing on France, where Valorem is the most present, its objective – achieving 3% of all solar and windfarm projects in France by 2028 - is in line with the National Low Carbon Strategy.</p>
<p>● <b>Environmental Objective</b> Relevance</p>	<ul style="list-style-type: none"> <li>✓ ICMA &amp; LMA Eligible Project categories The Eligible projects to be financed via Valorem’s Green Bond Issuance are aligned with the “Renewable energy” and “Energy efficiency” objectives listed in the ICMA Green Bond Principles.</li> <li>✓ UN Sustainable Development Goals (SDGs) Valorem has mapped the eligible project categories with the relevant SDGs and associated targets.</li> <li>✓ EU Taxonomy The validation criteria for each Eligible project category are the technical screening criteria of the EU Green Taxonomy. As such, all Eligible projects are considered as substantially contributing to the EU objective of Climate Change Mitigation.  For Valorem to claim alignment of its Eligible projects with the EU Taxonomy, the <i>Do No Significant Harm</i> and <i>Minimum Social safeguards</i> principles would need to be met. Valorem will follow these principles on a best effort basis. <ul style="list-style-type: none"> <li>✗ Valorem implements for each project an Environmental Management System (EMS) and is bound to comply with EU regulations. These two elements demonstrate a sound consideration of the environmental risks for each project. Yet on a general framework, EthiFinance cannot attest that the company meets the DNSH. The analysis should be granular, project by project.</li> <li>✗ Valorem commits to comply with the OECD <i>Guidelines for Multinational Enterprises</i>, the United Nations <i>Principles of Business and Human Rights</i>, and the core labour conventions of the International Labour Organisation. Yet on a general framework, EthiFinance cannot attest that the company meets the Minimal Social Safeguards. The analysis should be granular, project by project.</li> </ul> </li> <li>✓ Climate Bond Initiative The Eligible project categories of Valorem are covered by the Climate Bond Initiative Taxonomy.</li> </ul>

EthiFinance considers the Eligible Projects of Valorem to be relevant impact projects and rates them as **HIGH IMPACT** on its Green impact maturity scale.

## B. Process for project evaluation & selection

### GENERAL OPINION

EthiFinance considers the dedicated Green Bond Committee’s Governance and functioning to provide a robust framework for project evaluation and selection. It is considered aligned with ICMA’s Green Bond Principles. The validation criteria for selecting Eligible projects are clearly defined and in line with best market practice.

Not aligned  
Part. aligned  
ICMA & LMA Aligned



**Leader**

<p>● <b>Processes &amp; Governance</b></p>	<p>The Framework clearly outlines the responsibilities of the dedicated committee set up for the Green Financing Program. Its members demonstrate a satisfying level of seniority as well as competences in both financial and ESG areas.</p>
<p>● <b>Validation criteria</b></p>	<p>The validation criteria for Eligible Green projects are clearly defined in the Framework. Valorem has aligned its validation criteria with the Technical Screening Criteria (TSC) of the EU Taxonomy. By referencing its validation criteria with to robust and ambitious legal Framework, such as the one of the EU taxonomy, Valorem aligns with best market practices.</p> <p>A geographic restriction has also been defined; all Eligible projects being located in European OCDE countries.</p> <p>EthiFinance considers that the Framework clearly outlines the process by which Valorem determines how the projects fit within the eligible Green Project categories.</p>



## C. Management of Proceeds

### GENERAL OPINION

EthiFinance considers Valorem’s process for managing the proceeds to be transparent and robust, with the Framework providing sufficient information on the account used to receive the proceeds, the timeline for allocation and the management of unallocated funds.

Not aligned  
Part. aligned  
ICMA & LMA Aligned



**Leader**

<p>● <b>Allocation process</b></p>	<p>The net proceeds of the Green Financing will be deposited on a dedicated account. An equal amount to the net proceeds will be earmarked for allocation to Eligible Projects.</p> <p>Valorem commits to allocate all proceeds within two years after the issuance or closing of the Green Financing instrument. Although market practice would be to allocate funds within 12 months, EthiFinance deems the forward look period defined by Valorem to be acceptable as delays in projects developments can justify for a longer forward-looking period.</p>
<p>● <b>Responsibilities &amp; tools</b></p>	<p>The net proceeds of Green Financing will be managed under the responsibility of Valorem’s Treasury team.</p> <p>An internal reporting tool will be used to monitor and track the proceeds of each Green financing instruments until full allocation. In line with best market practice, the allocation process will be audited.</p>
<p>● <b>Unallocated funds</b></p>	<p>Unallocated funds will be invested by the Treasury Team in cash and cash equivalent. In line with best market practice, Valorem has defined restrictions on treasury placements: on a best effort basis, Valorem will exclude investments in GHG intensive activities and activities covered by the IFC exclusion list.</p>
<p>● <b>Adjustment to allocated funds</b></p>	<p>Valorem commits to reallocate funds earmarked against a project that has either been sold or that does no longer qualifies as Eligible. The replacement period is limited to maximum 12 months.</p> <p>Valorem will disclose, on a best effort basis, the reason why a project has become ineligible (validation criteria not met or occurrence of serious ESG controversy).</p>

## D. Reporting

### GENERAL OPINION

EthiFinance considers the reporting commitments detailed in the Framework to be aligned with the ICMA and LMA Principles.

Not aligned

Part. aligned



**ICMA & LMA Aligned**

Leader

<p>● <b>Allocation</b></p>	<p>Valorem will annually publish the total amount of proceeds allocated, the breakdown of the portfolio by Eligible Green project categories or list of Eligible projects financed and disclose the breakdown between new financing and refinancing.</p> <p>Although the disclosure of the list of projects financed is noted in the Framework, the Framework would gain in transparency by committing to systematically disclose the information with granularity at the level of the projects finance (vs. Eligible project category level only).</p> <p>In line with best market practice, an external third-party will annually audit the allocation report.</p>
<p>● <b>Impact</b></p>	<p>Valorem will publish annually, and until maturity of the Green Financing, a Green impact reporting.</p> <p>EthiFinance considers the Green KPIs listed in the Framework to be relevant and well detailed. Valorem commits to follow the recommendations of the ICMA Harmonised Framework for Impact Reporting.</p> <p>Furthermore, the methodology used to calculate the impact KPI relating to avoided CO2 emissions will be disclosed in the impact report and any material change to the methodology will be communicated.</p>
<p>● <b>Communication</b></p>	<p>Valorem aligns with ICMA and LMA Green Bond Principles by publicly disclosing on its website the Green Financing framework, the related Second Party Opinion, as well as the allocation and impact report.</p>

# Methodology

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The document has been prepared according to the methodology developed by EthiFinance. The Second Party Opinion is an independent and external analysis of debt instruments aimed at financing sustainable development projects. This type of exercise is carried out in the context of indexed and/or tracking debt transactions (e.g., Green Loan/Bond; Green Bond/Loan; Sustainability Bond/Loan; Sustainability-linked Bond/Loan).

EthiFinance provides potential investors with a simplified reading grid allowing the evaluation of the "sustainability" of a debt instrument and of investment projects via an analysis based on 2 pillars: 1) the level of ESG maturity of the Issuer; 2) the alignment with ICMA Principles.

## 1. Rating scale

The assessment of the quality of the debt operation is based on an internal EthiFinance standard, which is broken down into the following pillars:

- Originator's ESG maturity evaluation
- Compliance with ICMA and LMA Principles - broken down into four levels:
  - Not aligned
  - Partially aligned
  - Aligned
  - Leader (= Best practises)

## 2. Research of ESG controversies

In case of identification of serious ESG controversies, the Issuer's score will be impacted downwards: -10%, -20% or -30% depending on the level of controversies identified in accordance with EthiFinance's ESG evaluation grid (scale from 1 minimum to 5 maximum points).

In the context of Valorem's assessment, EthiFinance identified a controversy related the windfarm project of Chaumes-en-Retz. In February 2023, the Administrative Court of Nantes concluded that Valorem's environmental impact assessment for the windfarm project of Chaumes-en-Retz was incomplete and flawed. Valorem has provided further details to EthiFinance on the matter and the action plan established by the company to remediate the weaknesses of its impact assessment.

The controversy, which was one-off, was given a score of 2/5 and was therefore considered "not serious" by EthiFinance (see Controversy Scale below).

### Controversy scale - EthiFinance

- Possible controversies are identified and evaluated according to their frequency and level of seriousness, resulting in a 5-point score;

- Ethifinance relies on different information channels such as the company's website, management report, keyword research on the internet, press releases and articles, websites of associations and NGOs, etc;
- In the framework of the Second Party Opinion exercise, only serious controversies, i.e. those with a score 3/5 points, are retained and communicated.

### 3. Impact of eligible projects

In order to evaluate the level of impact of each of the projects identified by the issuer, Ethifinance gives its opinion on different aspects:

- The relevance of the projects to the context in which they take place
- The contribution of the projects to the SDGs;
- The alignment of the projects with the EU taxonomy;
- Rating scale:
  - High impact
  - Substantial impact
  - Moderate impact



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