

EDF Social Bond Framework

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EDF Social Bond Framework

Introduction and overview of EDF Sustainable Finance strategy

This inaugural Social Bond Framework (the Framework) presents EDF's policy and internal organisation for the issuance of Social Bonds. It applies best market practices, in line with market guidance published by the International Capital Markets Association (ICMA) such as the Social Bond Principles (SBPs) and the Sustainability Bond Guidelines.

This Framework serves as reference for any future issuance of social finance instruments through which eligible projects are funded.

Background

EDF is already a long-time, active issuer in the Green Bond space having issued the equivalent of approximately €6.9 bn in Green Bonds to date since 2013. In 2013, EDF was the first corporate in the world to issue a benchmark Green Bond. With this Social Bond Framework, EDF intends to enlarge the scope of its sustainable finance program.

EDF's *raison d'être* and corporate social responsibility strategy

In 2020, the EDF Group published its *raison d'être*, with a goal to achieve carbon neutrality by 2050.

Our *raison d'être*

is to build a net zero energy future with electricity and innovative solutions and services, to help save the planet and drive wellbeing and economic development.

To implement its *raison d'être* EDF revised in 2020 its corporate social responsibility strategy. This revision was the result of 40 interviews (both internally and externally) with financial and corporate social responsibility (CSR) specialists, as well as a survey of 100 EDF employees in the context of its *Parlons Energies* program.

The resulting strategy seeks to define EDF's *raison d'être* in 4 key issues, and thus cover all of the Group's CSR commitments. These four key issues are further broken down into sixteen commitments (four per key issue), which are linked to the Group's materiality matrix and which cover all major issues of the Group's CSR policy. They are in line with the previous Corporate Responsibility Objectives (CROs), which they extend, supplement and clarify.

Thanks to this approach, the strategy establishes a more direct link with the UN Sustainable Development Goals and gains visibility, strengthens employee engagement internally and improves external impact.

EDF's CSR commitments:

CARBON NEUTRALITY AND CLIMATE Ambitious carbon trajectory Carbon offset solutions Adapting to climate change Developing electricity use and energy services	PRESERVING THE PLANET'S RESOURCES Biodiversity Responsible land management Integrated and sustainable water management Waste and circular economy
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WELL-BEING AND SOLIDARITY
 Health and safety of all
 Ethics, compliance and human rights
 Equality, diversity and inclusion
 Energy poverty and social innovation

RESPONSIBLE DEVELOPMENT
 Dialogue and consultation with stakeholders
 Responsible development of local areas
 Development of industrial sectors
 Responsible digital development

All the Group’s activities including investments take place in the context of this strategy and related processes including the EDF Group’s ISO 14001-certified Environmental Management System. Further information on these strategies and procedures can be found in EDF’s Universal Registration Document, published annually on its website.

EDF’s Universal Registration Document:
<https://www.edf.fr/en/the-edf-group/dedicated-sections/investors-shareholders/reference-documents>

Sustainable finance and EDF’s corporate social responsibility policy

EDF’s sustainable finance strategy responds to the Group’s *raison d’être* by implementing financing frameworks to drive investment toward each of the 4 issues and 16 commitments of its CSR strategy.

To date, EDF’s has implemented a *use of proceeds* approach to its sustainable issuances, wherein financing from bond issuances is directed toward clearly identified green and/or social investments. These investments can be mapped to relevant categories listed in ICMA’s Green Bond Principles and/or Social Bond Principles.

EDF has demonstrated the success of this *use of proceeds* approach since 2013, issuing bonds that are compliant with ICMA’s Green Bond Principles that finance activities related to its CSR commitments to an ambitious carbon trajectory, adaptation to climate change, and biodiversity. EDF has for almost 8 years reported on the allocation and impacts of these investments, which are subject to an annual audit by EDF’s statutory auditor. The full results of this reporting are made available on EDF’s dedicated green and social bond portal (link below).

Under the core CSR commitment of “responsible development” of its operations, EDF commits to the development of the territories in which it operates and to develop industrial sectors. Eligible projects under this Social Bond Framework are focused on these aspects of the CSR strategy. EDF’s longstanding experience in issuing and reporting *on use of proceeds* bonds shall reinforce the successful deployment of this Framework.

EDF’s CSR commitments and their pertinence to EDF’s sustainable financing frameworks are outlined in the table below.

Green categories (Green Bond Framework)	Social categories (Social Bond Framework)
<p>Carbon neutrality and climate</p> <ul style="list-style-type: none"> • Ambitious carbon trajectory • Carbon offset solutions • Adapting to climate change • Developing electricity use and energy services 	<p>Well-being and solidarity</p> <ul style="list-style-type: none"> • Health and safety for all • Ethics, compliance and human rights • Equality, diversity and inclusion • Energy poverty and social innovation
<p>Preserving of the planet’s resources</p> <ul style="list-style-type: none"> • Biodiversity • Responsible land management • Integrated and sustainable water management • Waste and circular economy 	<p>Responsible development</p> <ul style="list-style-type: none"> • Dialogue and consultation with stakeholders • Responsible development of local areas • Responsible development of industrial sectors • Responsible digital development

EDF Green and Social Bond Website:

<https://www.edf.fr/en/the-edf-group/dedicated-sections/investors-shareholders/bonds/green-bonds>

Rationale for a Social Bond by EDF

Investing in the social development of our territories.

At the core of EDF's *raison d'être* and its CSR commitments is a dedication to the wellbeing and economic development of the territories EDF serves. EDF has developed this Social Bond Framework with the intent of issuing Social Bonds that will finance and/or re-finance projects with positive social impacts.

In particular, Social Bonds issued under this Framework will contribute to the Group's commitments under the "Responsible development" CSR commitment, notably the commitments under "Responsible development of local areas" and "Responsible development of industrial sectors."

Thereby, EDF Social Bonds contribute to the following UN Sustainable Development Goals¹.

<i>Responsible development of local areas</i>					
<i>Development of industrial sectors</i>					

Support to SMEs and local employment

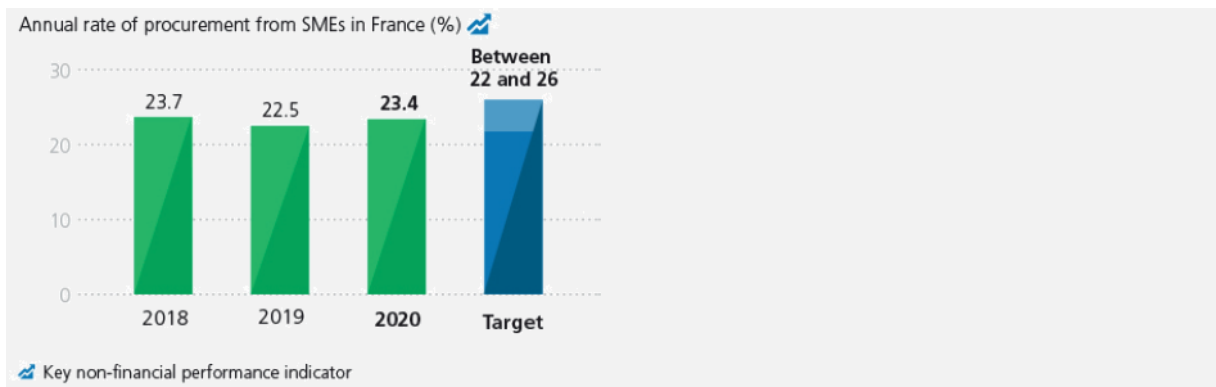
The development of Small and Medium-Sized Enterprises (SMEs) and the subsequent creation and retention of jobs is one of the most direct social impacts of EDF's activities. Through the development and maintenance of electricity generation and distribution assets, EDF allocates a significant amount of investment to projects and activities developed or offered by SMEs, contributing directly to local economic development and employment generation. In order to successfully deploy this investment program, EDF relies on the expertise and know-how of local employees as well a wide network of SMEs, subcontractors and local economic stakeholders.

Corporate Key Performance Indicator: Annual rate of procurement from SMEs

As part of its annual reporting on Key Performance Indicators (KPI), EDF publishes its annual rate of procurement from SMEs². In 2020, this annual rate reached 23.4% within the target range of 22% and 26% of purchases by EDF and its subsidiary Enedis.

¹ The mapping of EDF's CSR commitments to the UN SDGs is specified in Section 3.4 of EDF's Universal Registration Document (2020)

² The methodology for this indicator is specified in Section 3.7.2.2. of EDF's Universal Registration Document (2020)



The EDF Group Purchasing Department interacts with suppliers – including SMEs micro enterprises and start-ups – with the operational implementation of a process adapted for innovative purchasing and to make it easier for SMEs to access EDF’s markets. This entails the acceptance of:

- simplified general terms and conditions of purchase and special terms and conditions for “small orders” which can be found online on the dedicated provider portal at www.edf.fr
- a simplified capacity questionnaire for new suppliers, for tenders with amounts lower than the thresholds of European Directive 2014/25/EU;
- a tailored purchasing process and standard agreements for innovative start-ups and SMEs;
- a dedicated space at www.edf.fr institutional site to provide a single point of access.

EDF’s responsible purchasing policy is at the heart of the Group’s social and environmental responsibility practices in its supply chain. It is structured by the Group Purchasing Department, which sets the general framework and manages Purchasing. The Group Purchasing policy encourages local sourcing and regional value creation. Through this policy, EDF has a long track record of giving preference to relationships with SMEs and using the sheltered worker sector and structures for integration through economic activity. EDF makes full use of the new possibilities offered under Directive 2014/25/EU, allowing certain purchases to be reserved for these sectors.

Examples and impacts of EDF’s local procurement practices

Enedis (France): A true local player, Enedis contributes to local economic growth and employment, with 54,000 indirect jobs supported by its activity. A majority of Enedis’ purchases, (nearly 54%) come directly from SMEs purchases of materials and services and are carried out preferentially at the local level.

Grand Carénage (France): EDF is conducting a major overhaul program (the Grand Carénage) aimed at refurbishing the French nuclear fleet, enhancing reactor safety and, if conditions allow, continuing their operation. For example, the VD4 900 project - part of Grand Carénage focusing on the decennial maintenance of 32 reactors- has contracted with over 130 SMEs between 2015 and 2020.

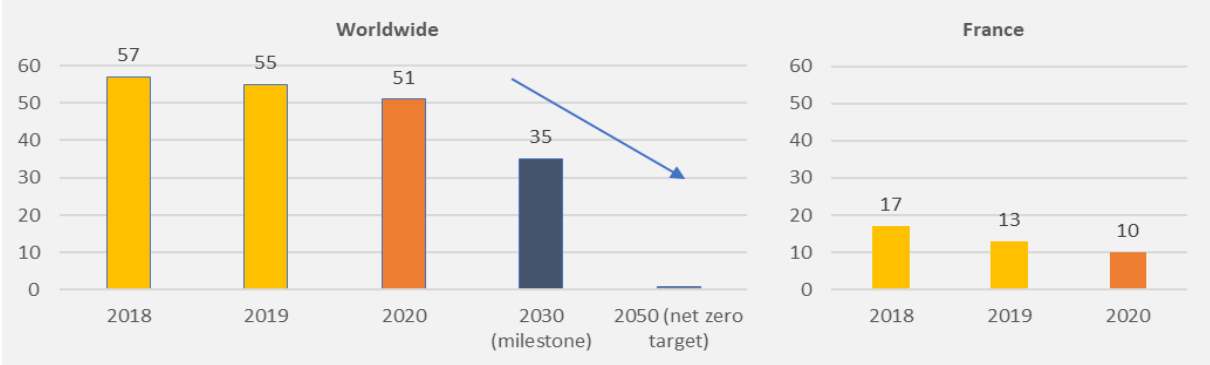
Hinkley Point C (UK): More than 4,000 businesses are registered on the supplier portal for EDF’s Hinkley Point C project and 40% is recruited from the local area. Working with Tier 1 and 2 suppliers, the HPC team matches the project requirements with companies registered on the portal and flag these to procurement teams. In 2019 1,657 companies in the local (southwest) region were recommended for a total of 141 work packages. Local suppliers sign contracts directly with the project or with its tier-1 suppliers

Support an ecosystem of SMEs that are critical for EDF’s low-carbon generation and distribution assets

The promotion of employment through SMEs and local subcontractors is critical to maintain the power generation and distribution assets of EDF. This is in line with the company’s *raison d’être* and CSR strategy.

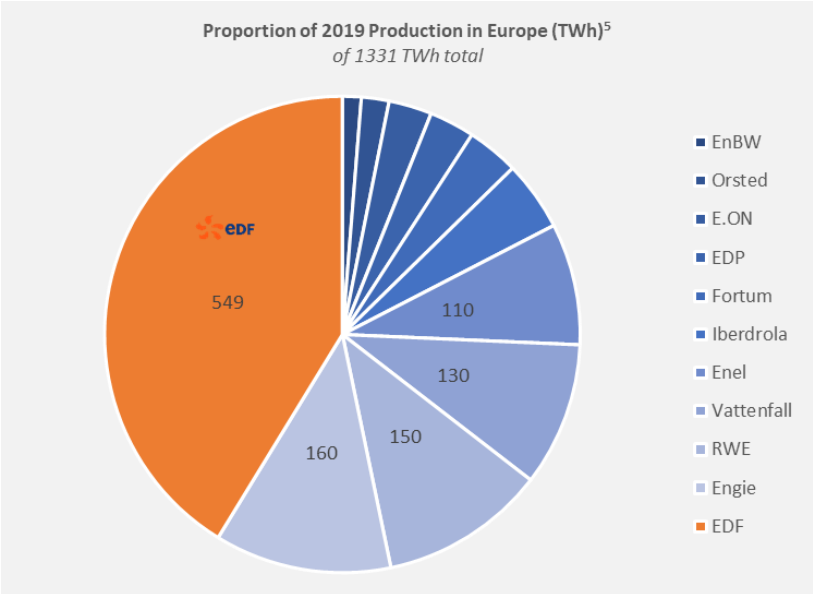
As a reminder, the CO₂ emissions³ of EDF assets are well below those of other electricity producers and are steadily declining. After passing below 100 g CO₂/kWh in 2015, EDF Group’s specific carbon emissions reached 51 g/kWh in 2020. The Group’s carbon intensity is now eight times lower than the sector average worldwide, and five times lower than the European average.⁴ In continental France, EDF’s energy mix reached 10 g CO₂/kWh in 2020, 17 times less than the European sector average.

EDF’s carbon intensity trajectory (g/kWh)



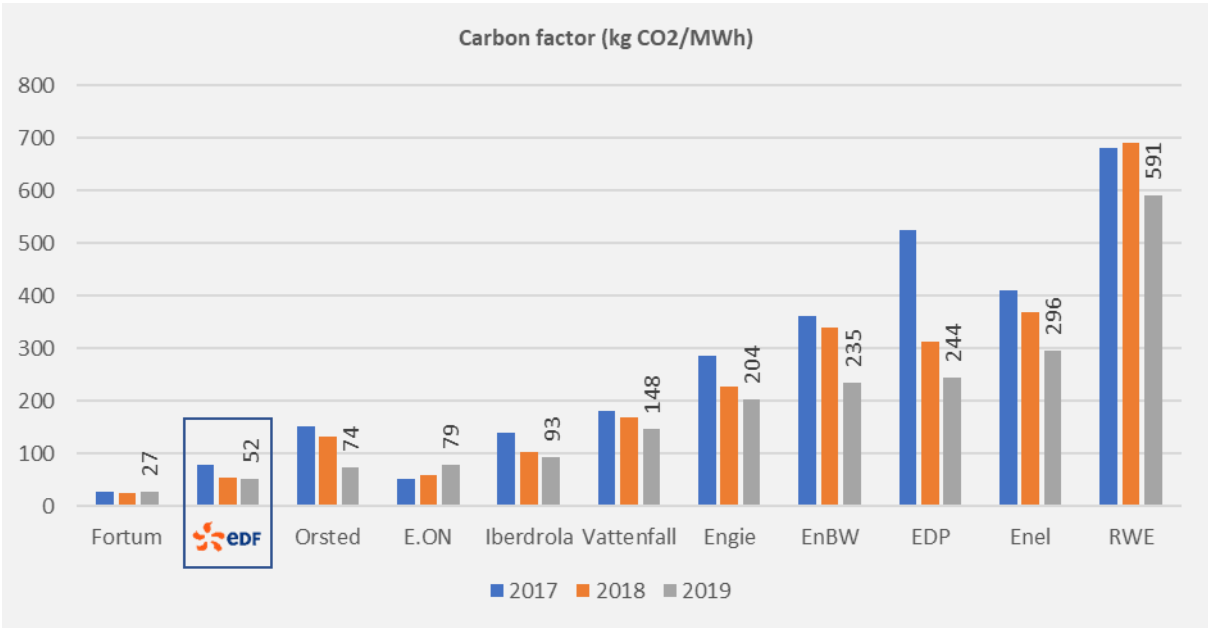
European average in 2019: 275g/kWh

Among its competitors, EDF has a sector-leading carbon emissions profile relative to its size. According to PWC⁵, in 2019 EDF’s carbon factor was 52 kg CO₂/MWh⁶, a 33% reduction over 2017 and one of the lowest for utilities in the EU. EDF maintains this performance despite being the largest producer of electric energy by far in Europe, producing 549 TWh of electricity in 2019. Thus, EDF’s contribution to the EU’s



³ Direct emissions excluding the life cycle analysis of generating plant and fuel
⁴ Source: International Energy Agency, September 2020 ("Emission Factor").
⁵ Source: Climate Change and Electricity, European carbon factor, benchmarking of CO₂ emissions by Europe’s largest electricity utilities 19th edition, PWC (2020), includes charts "2019 Production (TWh)" and "Carbon Factor (kg CO₂/MWh)"
⁶ Difference with EDF’s 55 kg CO₂/MWh shown above, comes from a slight difference of methodology in carbon factor calculation

carbon goals is significant, leading PWC to conclude “without EDF, the European carbon factor for our selection would be 32% higher.”⁷



The maintenance of these assets is critical for a transition to a low carbon economy. Their operations rely heavily on the good economic health of a large pool of service providers with very specific technical expertise, such as nuclear safety, power network maintenance and power engineering. SMEs located close to EDF’s production sites are key providers of this skilled workforce. SMEs are thus key enablers for the energy transition. They make up critical building blocks of EDF’s low carbon value chain by providing services and production which contributes directly to the economic value of EDF low-carbon assets. Moreover, EDF provides regular and highly specialised contracts to these SMEs, thereby insuring their economic viability. Social Bonds issued under this Framework contribute to strong social impact of these long-term business relationships.

Use of proceeds

Eligible expenditures

An amount equal to the net proceeds of any instrument issued under this Framework will be used to finance or refinance expenditures relating to projects with a positive social impact (Eligible Projects).

The scope of such expenditures includes:

- Expenses incurred no more than 2 calendar years preceding the date of issuance of a Social Bond (i.e. all of 2019 and 2020 for a bond issued at any point in 2021), or
- Expenses not yet incurred at the date of issuance of a Social Bond

EDF anticipates full allocation of Social Bond proceeds within 12-24 months of issuance.

For the avoidance of doubt, EDF will prevent double counting: a project which is already financed by EDF Green Bonds will not be an Eligible Project under this Framework

⁷ Source: *Climate Change and Electricity, European carbon factor, benchmarking of CO₂ emissions by Europe’s largest electricity utilities 19th edition, PWC (2020)*

Eligible Projects

“**Eligible Projects**” include any capital expenditure contracted with a SME⁸ which contributes to the development or maintenance of EDF Group’s power generation and/or distribution assets in Europe (defined as the European Union and the United Kingdom). The **social objective** of such projects is to support the SMEs that make up a key part of EDF’s industrial fabric and which provide employment opportunities in the territories where EDF is active. The segment of the population that these projects shall serve is employees and subcontractors of SMEs (the **target population**).

(Context)

ICMA Social Bond Principles (SBP) Category:
Employment generation, and programs designed to prevent and/or alleviate unemployment including through the potential effect of SME financing

EDF Corporate Social Responsibility Commitment:
Responsible development
Responsible development of local areas
Development of industrial sectors

Objective: Supporting the SMEs that make up a key part of EDF’s industrial fabric and which provide employment opportunities

Eligible projects: capital expenditures contracted with SMEs in the European Union and the United Kingdom which contribute to the development or the maintenance of EDF Group’s power generation and/or distribution assets

Target population: employees and subcontractors of SMEs

Process for evaluation and selection

EDF’s social bond investments take place in the context of EDF’s established strategies and procedures for *use of* proceeds bonds as described in the Introduction and Overview of this Framework.

Eligible Projects are subject to a specific assessment and selection process as follows:

- Prior to allocation, under the coordination of EDF Group’s Finance Division, each Finance Department within a relevant EDF Division will evaluate and identify proposed Eligible Projects that comply with the Use of Proceeds criteria in this Framework.
- Each EDF division commits to respect the policies and procedures of the EDF Group, including those related to ethical procurement and contracting with SMEs (cf. Group Ethics Charter, Group Sustainable Development Charter, etc).
- Each relevant EDF Finance department will document the project assessment process within their scope.
- This process shall serve to demonstrate to an independent auditor that Eligible Projects meet the requirements in the section below describing the Annual Assurance Report.

Management of proceeds

Social Bond proceeds are managed through a dedicated process that ensures traceability of the proceeds in EDF SA’s Treasury and allocation to Eligible Projects.

EDF intends to allocate the proceeds from each Social Bond to Eligible Projects, selected in accordance with the use of proceeds criteria and evaluation and selection process in this Framework.

Until full allocation of net proceeds to Eligible Projects, the balance of the unallocated net proceeds will be invested in short-term financial assets, labelled as “Socially Responsible Investments”, as certified by French Ministry of Finance’s *Label ISR*.

⁸ EDF’s internal definition of SMEs includes any company which meets all of the following three criteria: (1) a workforce of fewer than 250 people (2) an annual turnover of less than € 50 million or a balance-sheet total of less than € 43 million (3) 25% – or less-than 25% – ownership by a group. Note that the condition (3) makes EDF’s definition more stringent than the EU definition (Recommendation 2003/361)

Reporting

EDF publishes information about its Green and Social Bonds on a dedicated website. Relevant information concerning EDF's Green and Social Bonds are provided on this page including reporting as described below.

EDF Green and Social Bond Website:

<https://www.edf.fr/en/the-edf-group/dedicated-sections/investors-shareholders/bonds/green-bonds>

For each Social Bond issuance, EDF will report annually until full allocation or the maturity date of the relevant bond, whichever comes first, as follows:

Allocation reporting

EDF will report the following information on the allocation of funds:

- The total amount of proceeds allocated to selected Eligible Projects, its share vs. total amount of proceeds and the balance of unallocated proceeds
- The distribution of the total allocated to Eligible Projects by EDF entity or subsidiary and by geography
- The implementation date of projects financed

Impact reporting

EDF will report at the portfolio level on at least one of the following example indicators for Eligible Projects. If deemed necessary, reporting may be based on ex-ante estimates of expected impacts and may include other relevant indicators not included on this list.

Examples of Impact Reporting Indicators:

- Number of contracting SMEs
- Type of contracting SMEs
- Estimated number of people employed by contracting SMEs
- Territorial impact data

To further highlight the impact of these projects EDF may, at its discretion, provide details on certain socio-economic characteristics of Eligible Projects. These may include distribution by geography (i.e. zones with elevated unemployment or other socioeconomic stress), targeted economic sectors, or other relevant categorization.

Reporting methodology

The methodology for impact reporting indicators shall be published on the part of EDF's website dedicated to Green and Social Bonds.

External Review

Second Party Opinion

EDF has appointed S&P Global Ratings to assess its Social Bond Framework. S&P Global Ratings applies its own methodology to carry out this assessment. The results are documented in S&P Global Ratings' Second Party Opinion which is available in the Green and Social Bond section of EDF's website. The SPO refers to the Social Bond Framework and includes each bond that is issued under it.

Annual Assurance Report

An independent auditor, shall be appointed to issue an annual assurance report of limited assurance on the following:

1. Compliance with the four components of the Social Bond Principles published by ICMA
2. Reconciliation of the amount in the Treasury Portfolio containing the proceeds of a relevant bond issue with the amount allocated to eligible projects
3. Compliance of the methods used by the Company to estimate the *social impacts* of the financed Eligible Projects with the methodology described in the section “Reporting” above

The annual assurance report is issued once a year until the net proceeds are used in full or the maturity date of the Social Bond issue, whichever comes first.

SOCIAL BOND FRAMEWORK - DISCLAIMER

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This Social Bond Framework contains certain forward-looking statements that reflect EDF S.A.’s management’s current views with respect to future events and financial and operational performance of the EDF Group. These forward-looking statements are based on EDF S.A.’s current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of EDF S.A. to control or estimate precisely. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. EDF S.A. does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation. The information contained in this Social Bond Framework does not purport to be comprehensive and has not been independently verified by any independent third party.