

Questions & Answers on the EDF Green Bond Framework (September 2016)

1. Why did you choose to extend your Green Bond Framework to existing hydropower assets in France?

Renewable energy is at the core of EDF's CAP 2030 strategy. Renewable generation is already today an important part of EDF Group's existing generation activities and EDF has set itself the goal of doubling its net installed capacity to more than 50GW in 2030. To demonstrate its commitment and support its ambition, EDF created in 2015 a Renewable Energy Division which is represented on the Group Executive Committee and covers all renewables activities of the Group i.e., activities in new renewables (wind, solar, etc.) as well as hydropower operations in France.

By extending its Green Bond Framework to investments in existing hydropower facilities in mainland France, EDF aligns the scope of Green Bond eligible projects with the perimeter of its entire Renewable Energy Division.

Furthermore, EDF considers hydropower facilities to be extremely valuable renewable electricity generation assets:

- At the level of electric systems, thanks to their high flexibility and their ability to store energy that can be dispatched almost instantly for facilities with a reservoir. It makes them a critical component of electricity systems, as intermittent renewables capacity is increasing; and
- At local level, as water usages are multiple and critical in a context of climate change. Actually, EDF in mainland France is managing 75% of national surface storage reserves and applies a proactive management policy in relation to water resources, in liaison with various water stakeholders.

In other words, hydropower is an enabler of the energy transition at macro and local levels. In this context, the extension of the Framework to investments in existing facilities in France supports the financing of investments required to enhance that potential.

2. How did you choose your Eligible French Hydro Projects categories? Are they all acceptable Green projects within the taxonomy of the Green Bond Principles?

Eligible Projects categories were established based on a range of benefits that they are expected to bring: additional generation capacity, enhanced generation efficiency and operational safety, increased generation flexibility, or climate change adaptation. As a result, the following types of investment activities in mainland France were defined as Eligible French Hydro Projects categories:

- (i) Renovation and upgrade of existing hydropower facilities
- (ii) Modernisation and automation of existing hydropower facilities' maintenance and operation
- (iii) Hydropower development projects (based on existing facilities)

Under its this Framework focused on power generation assets from renewable energy sources, EDF intends to finance investment categories fully in line with those defined in the latest update of the Green Bond Principles.

Proceeds are not meant to be used to refinance existing projects or to acquire businesses or projects already in operations.

3. Which categories of your expenses in the French hydropower facilities have you excluded? Is routine maintenance included?

Firstly, only capital expenditures are eligible to Green Bond funding. All operations that are accounted for as operational expenditures are not eligible.

Secondly, only those investment activities that bring one or several of the benefits listed in 2. above are eligible to Green Bond funding. This excludes: routine maintenance Capex of the generation facilities and investment activities that cannot yield any of the above benefits.

4. Will you finance large dams with this Green Bond Framework?

Eligible Projects will not result in the creation of new large dams.

Under this Framework, only investments in existing hydropower facilities in mainland France are eligible to Green Bond funding: this will include facilities considered to be large dams.

5. Can you be more specific about how individual projects will be chosen to be included within the Green Bond? What decision making process is there? Is there some form of committee process?

Each potential investment for which Green Bond financing is contemplated is assessed against environmental and social criteria relevant to hydro activities (“French Hydro Project E&S Criteria”) by the Finance department of EDF’s Hydro Division. This assessment is based on elements provided by the Hydro Division’s teams in charge of project development, procurement and sustainable development. Only projects meeting all French Hydro Project E&S Criteria and targeted benefits listed in 2. above may benefit from Green Bond financing.

The Finance department of EDF’s Hydro Division documents the entire project assessment process with a view to demonstrate to an independent auditor that funded projects meet the applicable eligibility criteria and contribute to the objectives.

EDF’s Hydro Division notifies each month the Green Bond funds needed to cover capital expenditures associated to the selected Eligible French Hydro Projects to EDF SA’s treasury department. EDF SA’s treasury department adjusts the balance of the proceeds allocated to the Green Treasury Assets Portfolio according to the Green Bond funds requested by EDF EN and EDF’s Hydro Division.

6. Can the outstanding proceeds of the previous Green Bond issue be allocated to French Hydro Eligible Projects?

No. This Framework only applies to potential future issuances. In order to receive funding from the non-allocated proceeds of the October 2015 Green Bond issue, projects need to comply with the Use of Proceeds defined under that issuance that did not include French hydropower investments.

7. How quickly do you anticipate allocating the proceeds to Eligible Projects?

Complete allocation of the proceeds from a Green Bond issuance is expected within 24 months of the issue date.

8. Is this an announcement for a forthcoming transaction?

No. The publication of this Framework is no way the announcement of a transaction. Its purpose is to inform investors and other stakeholders that new types of Eligible Projects may be financed with the proceeds of a potential future Green Bond issuance by EDF.