

## REPORT OF FACTUAL FINDINGS (AGREED-UPON PROCEDURE)

By VIGEO EIRIS  
For AES Tietê Energia's 2019 first Green Bond issuance  
Pre-issuance verification based on Climate Bonds Standards version 2.1

### SCOPE

AES Tietê Energia (hereafter "the Issuer") is considering the issuance of its first 2019 Climate Bond (the "Bond") and intends to use the proceeds to finance two solar photovoltaic power plant in Brazil: Guaimbé and AGV solar power plants (the "Selected Projects").

In this context, Vigeo Eiris (the "Verifier") has been commissioned as an independent third-party provider approved by the Climate Bonds Standards Board, by the Issuer to perform the Pre-Issuance Verification of the Bond. This verification has been conducted in accordance with the Climate Bonds Standard (CBS) version 2.1 (i.e. Part A: General requirements to be applied for all Climate Bonds, Part B: Solar Sector Criteria Version 2.0)

The work undertaken by Vigeo Eiris to form this verification statement included:

- Planning and management of the verification
- Desk review of the Bond and associated documentation provided by the Issuer
- Assessment of evidences provided by AES Tietê Energia against the Climate Bonds Standards 2.1 and the Solar Sector Criteria.
- Internal quality control on the assurance report and conclusions
- Provision of Vigeo Eiris' report of factual findings

We have conducted our pre-issuance verification between March 18th and March 29th, 2019. The methodology, criteria, findings and assurances addressed by this Agreed-Upon Procedure are in accordance with relevant general principles & professional standards of independent auditing, in line with the International Standard on Related Services 4400 (ISRS 4400).

### RESPONSIBILITIES OF THE ISSUER AND OF VIGEO EIRIS

This statement relies on the information provided by the Issuer to the Verifier: documentation and explanations presented during the assessment, based on the understanding that this information was provided to Vigeo Eiris in good faith. Vigeo Eiris has not performed any audit nor other test to check the accuracy of the information provided by the Issuer.

The Issuer is fully responsible for attesting the compliance with its commitments, for their implementation and their monitoring, and for the information provided.

### SUMMARY OF FACTUAL FINDINGS

The proceeds from the Bond will be allocated to two solar power plants, for which environmental objectives have been set in the Debenture's Term Sheet (February 2019). These proceeds will be used to finance and/or refinance, in full or in part, the Selected Projects. The Selected Projects fall in the 'Solar' classification under 'Energy' head of Climate Bonds Taxonomy and fill in the applicable sector-specific technical criteria for Solar Energy assets. The Issuer took the commitment to review the Bond after one year to reaffirm conformance with the Climate Bonds Standard.

*This Report of factual findings is valid as of the date of issuance, limited to the Selected Projects, for the Issuer's first Green Bond. It is provided by Vigeo Eiris to the Issuer and the Climate Bonds Initiative.*

Paris, March 29th, 2019



**Carlos ARAUJO**  
Sustainability Consultant



**Julien SOURIAU**  
Senior Sustainability Consultant



**Muriel CATON**  
Managing Director, Sustainable  
Finance Strategy

### Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has not conducted any consulting nor audit mission for the Issuer until so far. No established relationship (financial or others) exists between Vigeo Eiris and the Issuer.

Liability: this Report of factual findings is a document prepared by the Verifier that conveys the Verifier's findings on the Bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing these findings does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the Green Bond. No assurance is provided by Vigeo Eiris regarding the financial performance of the Issuer nor of the Bond, nor the value of any investment in the Bond, nor of the environmental footprint of the Bond or the compliance with the commitments taken by the Issuer.

Vigeo Eiris cannot be liable for any loss suffered as a result of information or data provided by the Issuer. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or any kind of business transaction.

Restriction on Distribution and Use of this Factual Findings Report: at the discretion of the Issuer.

**VERIFICATION CRITERIA & FINDINGS**

The evidence, information and explanations supporting the Bond issuance provided by AES Tietê Energia to Vigeo Eiris were both historical (for projects selection process and nominated projects) and hypothetical or projected (for the expected environmental benefits, the proposed financial accounting system, and the monitoring & reporting system associated to the Bond, to be implemented over the term of the Bond).

The Issuer showed a high responsiveness in providing information to the Verifier. We consider that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our findings.

Summary criteria for assertions of compliance with the pre-issuance requirements of Climate Bonds Standards version 2.1 and certification under the Solar Sector Criteria

Vigeo Eiris has assessed AES Tietê Energia’s 2019 first Green Bond and the nominated projects and assets against the Climate Bonds Standard version 2.1:

- Part A: General requirements to be applied for all Climate Bonds
  1. Selection of Nominated Projects & Assets
  2. Internal Processes & Controls
  3. Reporting Prior to Issuance
- Part B: Climate Bonds Initiative Solar Sector Criteria (Version 2.0)

Assessment of AES Tietê Energia’s 2019 first Green Bond against Pre-Issuance Requirements of Climate Bonds Standard

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part A: General Requirements</b>		
<b>1. Selection of Nominated Projects &amp; Assets</b>		
<b>Clause 1.1</b> Check for proof of existence of documented decision-making process which is used to determine the eligibility of Nominated Projects and Assets	The Debenture's Term Sheet indicate that the proceeds will be allocated to the future payments and/or reimbursements of expenses related to the Guaimbé and the AGV solar power plants, which are located in São Paulo, Brazil.  The Selected Projects have been assessed by SITAWI, an external reviewer, on their compliance with national and state regulations and the International Finance Corporation (IFC) performance standards.	None.

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part A: General Requirements</b>		
<b>1. Selection of Nominated Projects &amp; Assets</b>		
<p>This includes, without limitation:</p> <p><b>1.1.1.</b> a statement on the environmental objectives of the bond</p>	<p>AES Tietê Energia's Debenture Term Sheet includes the objectives of the Selected Project, which are:</p> <ul style="list-style-type: none"> <li>- The construction and implementation of the SPVs destined to solar-energy generation, with a total installed capacity of 225 MW, and an expected annual electricity generation of 480 GWh.</li> <li>- The avoidance of 35.6 thousand MtCO<sub>2</sub>e for the whole project per year, and 34.1 thousand MtCO<sub>2</sub>e per year for the share financed by the Bond.</li> </ul> <p>The calculation of avoided emissions is based on the Brazilian energy matrix in 2018 (0,074 tCO<sub>2</sub>e/MWh)<sup>1</sup>.</p>	None
<p><b>1.1.2.</b> a process to determine whether the Nominated Projects &amp; Assets meet the eligibility requirements specified in Part B (Eligibility) of the Climate Bonds Standard</p>	<p>The Debenture Term Sheet defines the projects that can be financed through the Green Bond, notably the two Selected Projects: Guaimbé and AGV.</p> <p>These projects meet the eligibility requirements of the Climate Bonds Standard as they comply with the sector-specific technical criteria for Solar Energy, defined for the 'Solar' classification under 'Energy' head of the Climate Bonds Taxonomy (see Part B).</p>	None
<p><b>Clause 1.2</b></p> <p>The Issuer shall assess that all proposed Nominated Projects &amp; Assets to be associated with the Bond meet the Bond's documented objectives as stated under Clause 1.1 and are compliant under Part B of the Climate Bonds Standard.</p>	<p>The Issuer has appointed SITAWI, an independent external reviewer, to perform an environmental and social due diligence on the Selected Projects.</p> <p>The external reviewer has assessed the Selected Projects' compliance with clauses regarding environmental goals, included in the Debenture's Term Sheet (Clause 2.6.1).</p> <p>In addition, the Verifier has verified that the Selected Projects fall under the "Solar Energy" category and comply with CBI sector-related technical criteria for Solar Energy (See Part B).</p>	None

<sup>1</sup> [https://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao\\_corporativos.html](https://www.mctic.gov.br/mctic/opencms/ciencia/SEPED/clima/textogeral/emissao_corporativos.html)

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part A: General Requirements</b>		
<b>1. Selection of Nominated Projects &amp; Assets</b>		
<p><b>Clause 1.3</b></p> <p>The Issuer shall document the Nominated Projects &amp; Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects &amp; Assets. The Issuer shall establish a list of Nominated Projects &amp; Assets which can be kept up-to-date during the term of the bond.</p>	<p>The Issuer specifies that only the two Selected Projects are eligible for financing under the Debenture's Term Sheet. These projects include the respective SPVs, as mentioned in the documentation:</p> <ul style="list-style-type: none"> <li>- <b>Guaimbé:</b> Guaimbé I Parque Solar S.A. ("SPV Guaimbé I"); Guaimbé II Parque Solar S.A. ("SPV Guaimbé II"), Guaimbé III Parque Solar S.A. ("SPV Guaimbé III"); Guaimbé IV Parque Solar S.A. ("SPV Guaimbé IV"); and Guaimbé V Parque Solar S.A. ("SPV Guaimbé V").</li> <li>- <b>AGV:</b> AGV Solar IV Geradora de Energia S.A. ("AGV IV"); AGV Solar V Geradora de Energia S.A. ("AGV V"); and AGV Solar VI Geradora de Energia S.A. ("AGV VI").</li> </ul>	None
<p><b>Clause 1.4</b></p> <p>Nominated Projects &amp; Assets shall not be nominated to other Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects &amp; Assets are being funded by different Climate Bonds or that the existing Climate Bond is being refinanced via another Climate Bond.</p>	<p>The Issuer confirms that the Selected Project has not been nominated to another Climate Bond. This can be confirmed through the absence of the Project within the Climate Bonds Initiative's database.</p>	None
<p><b>Clause 1.5</b></p> <p>The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects &amp; Assets, or the Fair Market Value of the proposed Nominated Projects &amp; Assets.</p>	<p>As indicated in the Debenture's Term Sheet, the anticipated proceeds amount is identified to be up to BRL 820 million. The estimated amount is not expected to change prior to issuance according to the Issuer. These expected net proceeds represent 96% of the estimated total amounts of financial resources needed for the Selected Project (BRL 854.2 million), which is not greater than the Issuer's debt obligation to the Nominated Projects.</p> <p>Remaining resources will be financed by AES Tietê Energia's own capital.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part A: General Requirements</b>		
<b>2. Internal Processes &amp; Controls</b>		
<b>Clause 2.1</b>		
<p><b>2.1.</b> The systems, policies and processes to be used for management of bond funds and investments made shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p>	<p>The Debenture's Term Sheet includes clauses that describe the systems, policies, processes, and controls for the management of Bond funds.</p>	<p>None</p>
<p><b>2.1.1. Tracking of proceeds:</b> The Net Proceeds of the bond can be credited to a sub-account, moved to a sub-portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p>	<p>The Issuer reports that All net proceeds from the debenture will be destined to future payments and/or reimbursements of expenses of eight solar power facilities, each one represented by a SPV, and managed and controlled by AES TIETÊ ENERGIA S.A.</p> <p>The net proceeds will be held in segregated accounts with the sole purpose of financing the costs associated with the various stages of the project, which is in line with the mechanisms described by AES Tietê Energia and assessed in the external review report realized by SITAWI (see above).</p>	<p>None</p>
<p><b>2.1.2. Managing unallocated proceeds:</b> The balance of unallocated Net Proceeds can be managed as per the requirements in <b>Clause 6.2</b></p>	<p>The Debenture's Term Sheet explicits that unallocated proceeds are to be held in cash equivalent instruments until their allocation, satisfying <i>clause 6.2.1</i>.</p>	<p>None</p>
<p><b>6.2.1.</b> Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p>		
<p><b>6.2.2.</b> Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p>		
<p><b>6.2.3.</b> Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects &amp; Assets.</p>		

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part A: General Requirements</b>		
<b>2. Internal Processes &amp; Controls</b>		
<p><b>2.1.3.</b> Earmarking funds to Nominated Projects &amp; Assets: An earmarking process that can be used to manage and account for funding to the Nominated Project and enables estimation of the share of the Net Proceeds being used for financing and refinancing.</p>	<p>Specific clauses in the Debenture's Term Sheet define that the funds made available are to be allocated to the Selected Projects.</p> <p>The proceeds are to be directly allocated to SPVs that are 100% controlled by the Issuer, which have the single purpose of financing the Selected Projects, which are mentioned in Clause 1.3 of this report.</p>	None
<b>3. Reporting to issuance</b>		
<b>Clause 3.1</b>		
<p><b>3.1.</b> The Issuer shall disclose in the Bond Disclosure Documentation:</p>	<p>The Debenture's Term Sheet indicate that the proceeds will be solely allocated to AES Tietê Energia's Selected Projects in Brazil.</p>	None
<p><b>3.1.1.</b> The investment areas, as provided in Clause 9.1, into which the Selected Project fall.</p>	<p>The Selected Projects, as solar PV plants, fall in the 'Solar' classification under 'Energy' head of Climate Bonds Taxonomy.</p>	
<p><b>3.1.2.</b> The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Clause 2.1.2.</p>	<p>The Debenture's Term Sheet explicits that the proceeds are to be fully allocated to future payments and/or reimbursements of expenses related to the Selected Projects, and directly to dedicated SPVs.</p> <p>The Issuer's Director of Treasury, Risks and Insurance declares by written in one of the exchanged emails that the allocation of proceeds will be concluded before December 2019.</p> <p>Regarding unallocated proceeds, the Debenture's Term Sheet explicits that these are to be held in cash instruments until their allocation (Clause 2.6.6(v)).</p>	None
<p><b>3.1.3.</b> The approach the Verifier has taken to pre-issuance procedures (i.e., whether an Assurance Engagement or an Agreed-Upon Procedures Engagement was undertaken).</p>	<p>The approach taken by the Verifier, i.e. a pre-issuance Agreed-Upon Procedure, managed by Vigeo Eiris, is disclosed in the Debenture's Term Sheet (Clause 2.6.1).</p>	None
<p><b>3.1.4.</b> Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance.</p>	<p>According to the Debenture's Term Sheet, AES Tietê Energia commits to review the bond after 12 months of issuance (Clause 2.6.1.1), in conformance with the Climate Bonds Standard requirement.</p>	None

CBI requirements	Vigeo Eiris' factual findings	Gap analysis
<b>Part B: Climate Bonds Taxonomy and Sector-Specific Standards</b>		
<b>Technical criteria for Eligible Projects &amp; Assets: Solar energy</b>		
<p>1. The Eligible Projects relating to solar energy generation shall be projects &amp; assets that operate or are under construction to operate in one or more of the following activities:</p>	<p>As indicated in the external review report, the eligible projects fall under one out of three of the sector-specific technical criteria from the sector-specific standards of the Climate Bonds for Solar Energy assets and projects:</p> <ul style="list-style-type: none"> <li>- The development, construction and operation of onshore solar PV plants.</li> </ul> <p>Not applicable</p> <ul style="list-style-type: none"> <li>- Wholly dedicated transmission infrastructure for solar energy</li> <li>- Dedicated transmission line</li> <li>- Onshore solar thermal facilities such as solar hot water systems</li> </ul>	None
<p>1.1. Onshore solar electricity generation facilities</p>		
<p>1.2. Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems.</p>		
<p>1.3. Onshore solar thermal facilities such as solar hot water systems</p>		

List of supporting documents provided by AES Tietê Energia:

- Debenture's Term Sheet v.22 (last version provided in March 28<sup>th</sup> 2019).
- External Review report from SITAWI (version provided in March 28<sup>th</sup> 2019)
- AES Tietê Energia's avoided emissions calculation methodology.
- AES Tietê Energia's installed capacity calculation.
- Answers to Vigeo Eiris' questionnaire.





Vigeo Eiris is a global provider of environmental, social and governance (ESG) research to investors and public and private corporates. The agency evaluates the level of integration of sustainability factors into organisations' strategy and operations, and undertakes a risk assessment to assist investors and companies' decision-making.

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 & organisations:** 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, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 7 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan, Spain and Mexico.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)