

POST-ISSUANCE VERIFIER REPORT (LIMITED ASSURANCE REPORT)

By Vigeo Eiris

For AES Tietê Energia 's 2019 Green Bond issuance

Based on Climate Bonds Standard version 2.1

May 2020

SCOPE

AES Tietê Energia (hereafter “the Issuer” or “the Group”) issued a Green Bond in April 2019 (“the Bond”) intending to (re)finance two solar photovoltaic power plants in Brazil: Guaimbé and AGV solar power plants (the “Selected Projects”).

In this context, Vigeo Eiris (“the Verifier”) has been commissioned by the Issuer to perform the Post-Issuance Verification of this Bond under a Limited Assurance engagement, as an independent third party approved by the Climate Bonds Standard Board. The verification is based on the assessment of the compliance of the Bond with the Climate Bonds Standard version 2.1 for post-issuance requirements and with associated sector-specific technical criteria, as defined on the Climate Bonds Initiative (CBI)’s website.

We have conducted our verification between May 12th and May 22th, 2020. The methodology, criteria, findings and assurances addressed by this Assurance Report are in accordance with relevant general principles & professional standards of independent auditing, and in line with the International Standard on Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000).

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 an audit nor other tests to check the accuracy of the information provided by the Issuer.

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

POST-ISSUANCE VERIFICATION

Based on the supporting elements and explanations provided by the Issuer, nothing has come to our attention that causes us to believe that, in all material respects, AES Tietê Energia 's Bond is not in conformance with the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) and with associated relevant sector-specific technical criteria. This level of assurance applies altogether to the Nominated Projects & Assets, the environmental benefits of the Bond, the evaluation and selection process of the assets, the proposed financial accounting system, and the monitoring & reporting system associated to the Bond, to be implemented over the term of the Bond. The details and areas covered by the verification are summarized in the following pages (see Detailed results section).

This Verifier Report is limited to AES Tietê Energia 2019 Green Bond. It is provided by Vigeo Eiris to the Issuer for later submission to the Climate Bonds Standard Secretariat.

Paris, May 22th, 2020

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Disclaimer

Transparency on the relation between Vigeo Eiris and the Issuer: Vigeo Eiris has conducted one pre-issuance verification of the 2019 Green Bond issued by AES Tietê Energia. No established relationship (financial or other) exists between Vigeo Eiris and the Issuer.

Liability: this Assurance Report is a document prepared by the Verifier that conveys the Verifier's opinion on the Bond alignment with the relevant requirements of the Climate Bonds Standard, but it does not provide Climate Bonds Certification itself. Providing this opinion does not mean that Vigeo Eiris certifies the tangibility, the excellence or the irreversibility of the projects financed by the 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 Assurance Report: at the discretion of the Issuer.

DETAILED RESULTS

The evidence, information and explanations supporting the Bond issuance provided by AES Tietê Energia to Vigeo Eiris were both historical (for assets evaluation and selection process, Nominated Assets), hypothetical or ex-ante estimated (for the expected environmental benefits, the time for proceeds allocation) and ex-post (for some reported indicators).

Summary criteria for assertions of compliance with the post issuance requirements of Climate Bonds Standard version 2.1

Vigeo Eiris has assessed the Bond and the Nominated Assets against requirements that apply to all Certified Climate Bonds after the issuance of the Bond, as set out within the Climate Bonds Standard version 2.1:

- Part A: requirements that shall be met to be eligible for post-issuance certification.
- Part B: requirements that shall be met based on the projects & assets associated with the Bond and the specified eligibility criteria.
 - *Solar Sector Eligibility Criteria (Version 2.0)*
- Part C: requirements that shall be met to be eligible for post-issuance certification and that are used selectively, depending on the type of Bond in question.
 - *Use of Proceeds Bond*

Part A: General Requirements

Clause 4. Nominated Projects & Assets

- 4.1. The Issuer shall maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets

The Nominated Projects & Assets were identified by the Issuer prior to the issuance, and the compliance with the Eligibility Criteria has been assessed by a third party prior to the issuance. There was no mention of any decision-making process used for determining the continuing eligibility of the Nominated Projects & Assets however, since the portfolio of selected Projects and Assets has not changed, the Issuer confirms the continuing eligibility of the Nominated Projects & Assets.

- 4.1.1. A statement on the environmental objectives of the bond

The Bond's environmental objectives have been defined in internal documentation, at project level. These stated environmental objectives are:

- 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.
 - The avoidance of 35.6 thousand MtCO₂e for the whole project per year, and 34.1 thousand MtCO₂e per year for the share financed by the Bond.
- 4.2. All Nominated Projects & Assets funded by the bond's proceeds shall meet the bond's documented objectives as stated under Clause 1.1, and shall be in conformance with the requirements of Part B of the Climate Bonds Standard.

All Nominated Projects & Assets funded by the Bond's proceeds meet the Bond's documented objectives are in conformance with the requirements of Part B (Eligible Projects & Assets) of the Climate Bonds Standard as they fall in the Solar classification under the Energy head of the Climate Bonds Taxonomy.¹

¹ <https://www.climatebonds.net/standard/taxonomy>

- 4.3. Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.

The Issuer maintains its commitment that Nominated Projects & Assets will not be nominated to other Certified Climate Bonds.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 4 "Nominated Projects & Assets".

Clause 5. Use of Proceeds

- 5.1. The Net Proceeds of the bond shall be allocated to the Nominated Projects & Assets.
All the Net Proceeds have been allocated to reimburse investments and finance new investments made in the Nominated Projects & Assets.
- 5.2. The Issuer shall allocate funds to Nominated Projects & Assets within 24 months of issuance of the bond. Funds may be reallocated to other Nominated Projects & Assets at any time during the term of the bond.
The Issuer allocated 100% of the Net Proceeds to the Nominated Projects & Assets within a year after the issuance of the Bond, therefore there is no outstanding unallocated funds.
- 5.3. Where a proportion of the Net Proceeds of the bond are used for refinancing, the Issuer shall provide an estimate of the share of the Net Proceeds used for financing and re-financing, and identify which Nominated Projects & Assets may be refinanced.
The Issuer states that 100% of the proceeds were used for financing the Nominated Projects & Assets.
- 5.4. The Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process as disclosed to the Verifier by the Issuer under Clause 2.1.
The proceeds had been managed within the treasury liquidity portfolio and allocated to the Eligible Portfolio according to the procedures disclosed in the Debenture's term sheet (clause 8.1) and the allocation has been verified by an internal auditor.
- 5.5. The Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects & Assets or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance
The Net Proceeds of the Bond are no greater than the total investment in the Nominated Projects & Assets or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 5 "Use of Proceeds".

Clause 6. Non-Contamination of Proceeds

- 6.1. The Net Proceeds of the bond shall be credited to a sub-account, moved to a sub-portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.
To guarantee non-contamination of proceeds, the Net Proceeds of the Bond have been allocated directly to the each one represented by a SPV, and managed and controlled by Aes Tietê Energia S.A.
According to the debenture's term sheet, whenever the proceeds are not immediately destined for reimbursements of expenses of the solar power plants, they will be allocated in cash instruments until their allocation (Clause 2.6.6 (v)).

- 6.2. While the bond remains outstanding, the balance of the tracked proceeds shall be reduced by amounts matching eligible investments or loan disbursements made. Pending such investments or disbursements to Nominated Projects & Assets, the balance of unallocated proceeds shall be held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or 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 applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.

The Issuer committed to hold the balance of net proceeds not yet allocated in cash or other short term and liquid instruments. However, as the Issuer allocated 100% of the Net Proceeds to the Nominated Projects & Assets within a year after the issuance of the Bond, there are no outstanding unallocated funds.

- 6.3. In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period. During the extension period the balance of unallocated proceeds shall be deemed to be conforming to Clause 5.2.

The Issuer does not require to apply for an extension of the asset allocation period.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 6 "Non-Contamination of Proceeds".

Clause 7. Confidentiality

- 7.1. Information about the Nominated Projects & Assets shall be provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.

Information about the Nominated Projects & Assets has been provided to the Verifier and shall be provided to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.

- 7.2. The Issuer should disclose information about the bond and the Nominated Projects & Assets to the market.

The Issuer has disclosed the list of Nominated Projects & Assets to all investors through the Debentures' term sheet available on official websites such as the Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais (ANBIMA) and the Issuer's corporate website.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 7 "Confidentiality".

8. Reporting

- 8.1. The Issuer shall provide to bond holders and to the Climate Bonds Standard Secretariat at least annually a report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated (or reallocated). The report shall include a brief description of the projects and the amounts disbursed, as well as the expected impact of the Nominated Projects & Assets.

The reporting on the allocation of funds had been provided to investors prior to the issuance through the disclosure of the Debentures' term sheets.

The Issuer published on its website² an environmental performance report on AES Tietê Energia's investments that provides information on the two Nominated Projects financed by the Bond, including:

- Output indicators for each project, notably:
 - Total installed capacity (150 MW of installed capacity for Guaimbê Solar Complex, 144.1 MW for AGV Solar Complex³)
 - Energy generation (267.1 GWh generated for Guaimbê Solar Complex, 126.4 GWh for AGV Solar Complex).
 - tCO₂ eq of emissions avoided (20 thousand tCO₂ eq avoided for Guaimbê Solar Complex, 9.5 thousand tCO₂ eq for AGV Complex).

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 8 "Reporting".

Part B. Eligible Projects & Assets

Clause 9. Climate Bonds Taxonomy

- 9.1. Nominated Projects & Assets, as identified by the Issuer under Clauses 1.3 and 4.2, shall fall into one or more of the investment areas contained in the latest version of the Climate Bonds Taxonomy (see Annex A).

Nominated Projects & Assets, as identified by the Issuer under Clauses 4.2., fall into one investment area contained in the latest version of the Climate Bonds Taxonomy, namely: Solar.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 9 "Climate Bonds Taxonomy".

Clause 10. Technical Criteria (Solar Sector Eligibility Criteria - Version 2.0)

- 10.1. Nominated Projects & Assets shall meet the specific eligibility criteria provided in the latest version of the relevant Sector Specific Criteria document.

The Nominated Projects & Assets meet the specific eligibility criteria provided in the relevant Sector-Specific Criteria document, namely Solar Sector Eligibility Criteria of the Climate Bonds Standard version 2.1.

10.2. Where the proceeds of a bond are allocated to Nominated Projects & Assets that are covered by more than one Sector-Specific Criteria, then each of the Nominated Projects & Assets shall meet the specific eligibility criteria provided in the Sector-Specific Criteria relevant to that Nominated Project & Asset.

The proceeds of the Bond are allocated to Nominated Projects & Assets that are covered only by one Sector-Specific Criteria (Solar).

² <https://www.aestiete.com.br/noticia/green-bonds-e-nosso-crescimento-sustentavel/>

³ AGV solar complex is the same as Oroeste Solar Complex shown in the website, Oroeste is the name of the municipality where the project is located.

Investment area	Eligibility Criteria Assets	Comments
Solar	<p>Climate Bonds Initiative Solar Standard (Version 2.1)</p> <p>Eligible activities:</p> <p>Eligible Project & Assets relating to solar energy generation shall be projects or assets that operate or are under construction to operate in one or more of the following activities:</p> <ul style="list-style-type: none"> • Onshore solar electricity generation facilities • Wholly dedicated transmission infrastructure and other supporting infrastructure for onshore solar electricity generation facilities including inverters, transformers, energy storage systems and control systems. • Onshore solar thermal facilities such as solar hot water systems. 	<p>Based on the supporting elements and explanations provided by the Issuer, Nominated Assets operate in the following activity:</p> <ul style="list-style-type: none"> • Onshore solar electricity generation facilities <p>The Issuer confirms that facilities have no more than 15% of electricity generated from non-renewable sources.</p>

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard's Post-Issuance Requirements (version 2.1) stated in clause 10 "Technical Criteria".

Part C: Requirements for Specific Bond Types

Bond Type is a “Use of Proceeds Bond”.

Clause 11. Project Holding

- 11.1. The Issuer of the bond shall continue to hold Nominated Projects & Assets which have Fair Market Value at least equal to the original principal amount of the bond at the time of issuance.

The Net Proceeds of the Bond are not greater than the total investment in the Nominated Projects & Assets.

- 11.1.1. Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part B of the Climate Bonds Standard and the bond’s environmental objective as set out in Clause 1.1.

No Additional Nominated Project & Asset has been added to, or used to substitute or replenish, the portfolio of Nominated Projects & Assets since the Pre-issuance verification.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard’s Post-Issuance Requirements (version 2.1) stated in clause 11 “Project Holding”.

Clause 12. Settlement Period

- 12.1. Issuers shall demonstrate that the Net Proceeds of the bond have been distributed to the Nominated Projects & Assets within 24 months of the issuance of the bond

100% of the Net Proceeds of the Bond have been distributed to the Nominated Projects & Assets within a year after the issuance of the Bond.

- 12.2. Where full distribution of the Net Proceeds is not achieved within 24 months of the issuance of the bond, the Issuer shall demonstrate that: The surplus or undistributed funds have been invested in Eligible Projects & Assets not otherwise nominated for a specific Climate Bond or the Issuer has made temporary investments of surplus or undistributed funds in conformance with the provisions of Clause 6.

Full distribution of the Net Proceeds has been achieved within less than 24 months of the issuance of the Bond. Consequently, there are no surplus or undistributed funds.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard’s Post-Issuance Requirements (version 2.1) stated in clause 12 “Settlement Period”.

13. Earmarking

- 13.1. The Issuer of the bond shall maintain the earmarking process to manage and account for funding to the Nominated Projects & Assets as disclosed under Clauses 2.1 and 2.1.3.

The earmarking process is not used anymore as all of the Net Proceeds have already been allocated.

Vigeo Eiris reviewed the above elements based on the information and documentation provided by the Issuer during the verification, and nothing has come to our attention that causes us to believe that the Bond does not, in all material respects, meet the criteria of the Climate Bonds Standard’s Post-Issuance Requirements (version 2.1) stated in clause 13 “Earmarking”.

List of supporting elements provided by the Issuer:

- Supporting documents provided for Post-issuance verification and confirmed by the Issuer:
 - Answers to the Verifier's Post-Issuance questionnaire
 - Debentures' Term sheet (dated March 11, 2019)
 - Vigeo Eiris' pre-issuance Report of Factual Findings (dated March 29, 2019)
 - Issuers 2019 Sustainability Report



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

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 methodology and rating services adhere to the highest quality standards.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Brussels, Casablanca, Hong Kong, Milan, New York, Rabat, and Santiago.

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