

# La Française de l'Énergie Green Bond Framework

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## 1. Introduction

### 1.1. Background

La Française de l'Énergie (FDE) is a carbon negative energy producer with registered Eligible Green Projects shall be projects with disbursements after the issuance of the Green Bonds or disbursements not earlier than calendar year 2021. Its headquarters are in Pontpierre, France, revenues of over €10 million (FY 2021), 20 employees and has currently activities in France and Belgium. Since 2016, the company is listed on the Compartment C of Nyse-Euronext in Paris

To cope with today's energy needs and future requirements of a modern society, FDE focuses on the two trends: the reduction of carbon footprint and decentralization of energy production. The company produces gas, power and heat from green source sources such as abandoned mine methane (AMM), photovoltaic and solar heat.

FDE's mission within the energy transition is to provide local energy for local users that is both ecologically and economically competitive.

As such, FDE contributes to the reduction of CO2 emissions by capturing methane in abandoned mines preventing 602 000 tons of CO2 emissions per year (equivalent to CO2 emissions of a city of 131 000 people) as per Inéris report as of 14 December 2018 in France. FDE is already the largest contributor to the CO2 emission reduction effort in the Hauts-de-France region. Its contribution to the reduction of the CO2eq emissions in Wallonia is currently estimated at circa 200K tons per annum and will be certified in the course of the life of the Green Bond. With today's 15MW installed capacity on 6 sites (equivalent to 60 wind turbines), the company covers the electricity needs of a city of over c. 66 000 people, with a plan to extend the capacity to 49.5MW by 2022, as well as adding 100MW of photovoltaic capacity.

The Company has had support from various stakeholders such as subsidies from European Fund (FEDER) for "Gazonor 2022 zero Emission Plan" in Hauts de France and Regalor for European R&D project for low carbon energy and is rated #1 for its ESG performance for an energy company with a market capitalization <€150m (Gaia rating).

### 1.2. FDE's sustainability ambitions

FDE feels responsible for an ecologically, economically and socially sustainable way of conducting its activities. In its Corporate Social Responsibility policy, the company commits itself, its employees and all partners to a business attitude characterised by integrity and compliance with law. Apart from the protection of the environment this commitment also includes respect and support of the Universal Declaration of Human Rights as adopted by the United Nations, labour standards as set out by the

International Labour Organisation (ILO), zero tolerance policy vis-à-vis corruption, fraud or money laundering, the protection of data and intellectual property, compliance with all relevant laws and regulations and good corporate citizenship in general.

While backing all of the 17 “Sustainable Development Goals” (SDGs), as defined in September 2015 by the United Nations for the period 2015-2030, FDE tackles directly three of them (affordable and clean energy, industry, innovation and infrastructure and finally climate change). FDE considers itself as particularly well positioned to work on these goals as its local short circuits approach from production to consumption is very powerful in reducing the carbon footprint of the energy used and provides affordable energy to local consumers.

The aim is to achieve this through investments in additional power generation capacities and other renewable energy without limiting the group to specific technologies although FDE feels that its technical and operational capabilities are adequate and well designed for capturing abandoned mine methane and producing green electricity and heat from this fatal gas, developing photovoltaic and solar heat production as well as potentially producing low carbon hydrogen for the benefits of local municipalities, individuals or industrial consumers.

As such, FDE has been qualified as “innovative company” by BPI France, the French public investment bank.

### **1.3. Rationale**

FDE is a sustainable company by conviction and business model, not restricted to any directly dedicated green funding. However, FDE believes that Green Bonds offer greater transparency and traceability to investors who wish to allocate funds to green assets. Therefore FDE is convinced that Green Bonds are an effective tool to help achieving the EU’s 2030 Climate and Energy objectives and has the ambition to issue Green Bonds to finance projects related to green Energy which fits perfectly to FDE’s core business and Sustainability strategy.

The transformation of the energy system requires tremendous investments by all parties involved. With the successful IPO in 2016, FDE secured its access to the equity market as a basis for funding. FDE’s existing green projects have also been financed by banking partners such as BPI and the group is also selected by the regions where it operates and the EU to benefit for subsidies to fund its green and sustainable projects. Thus, FDE feels well positioned to deliver its fair share of investment and Green Bonds are expected to become a substantial part of the toolbox for funding sustainable investments.

Issuing Green Bonds also gives potential for broadening FDE’s investor base by attracting investors that share the same sustainability ambitions and seek to focus their investments towards sustainable projects.

## 2. Application of Green Bond Principles

The Green Bond Principles are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuing a Green Bond. In alignment with the Green Bond Principles, FDE's Green Bond Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

For each Green Bond issued, FDE asserts that it will adopt these four pillars as set out in this Framework and also follows the recommendations of the Green Bond Principles regarding External Review.

### 2.1. Use of Proceeds

An amount equivalent to the proceeds of Green Bond issuances is exclusively used to finance or refinance in whole or in part any of the following Green energy projects (defined as “**Eligible Green Projects**”), including related partnerships or joint ventures, being investments in or expenditures for the acquisition, conception, construction, development and installation of green energy production units; as well as the connection of green energy production units to the gas and heat pipelines and/or the electricity grid.

Green energy sources include:

- Combined Heat and Power
- Photovoltaic
- Solar Heat
- Hydrogen
- Other sources of renewable energy if and whenever applicable (e.g. biogas, geothermal, tidal, new technologies)

### 2.2. Process for project evaluation and selection

Project financed and / or refinanced through the Green Bond proceeds under this framework are evaluated and selected based on compliance with the Green Bond Eligibility Criteria, aligned with FDE's strategic sustainability objectives.

Each business unit or group companies may propose projects that have been approved, committed or confirmed for development to be considered for a Green Bond. The business units provide information on the compliance of the projects with the criteria for Eligible Green Projects (as per 2.1).

Upon submission of projects by the project managers, the Management Committee will verify the compliance of the projects with the Use of Proceeds requirements and select projects as Eligible Green Projects. The Management Committee will document the project assessment process.

All selected Eligible Green Projects comply with official national and international environmental and social standards. Furthermore, it is also part of FDE's transaction approval process to ensure, that all our activities comply with internal environmental and social directives.

FDE's risk management system is based on methods and processes that have a proven track record. This enables FDE to identify risks and opportunities at an early stage and base its actions on them. The company's risk management system therefore also takes into account the statutory requirements defined by FDE's Code of Conduct and CSR policy that define the group's Health & Safety and Environmental Standards.

### **2.3. Management of proceeds**

FDE has internal systems in place to track the outstanding proceeds of its Green Bonds.

To facilitate the tracking process, increase transparency and investor comfort, FDE can select investments fully or largely disbursed when selecting Eligible Green Projects. Prior to issuance of each bond, FDE will disclose what projects are to be refinanced and to what extent proceeds are to finance future investments.

Until full allocation, the Management Committee will approve at least at the end of each Financial year, that the net proceeds of the issuance will be reduced by the amounts invested in Eligible Green Projects.

Until the maturity of relevant Green Bonds, in case of divestment or cancellation of an allocated Eligible Green Project, or if an allocated project no longer meets the eligibility criteria, FDE commits to reallocate the proceeds to other Eligible Green Projects depending on availability.

Pending the full allocation to Eligible Green Projects, FDE will keep record of the shortfall and apply the following waterfall for the balance of net proceeds of Green Bonds not already allocated to Eligible Green Projects:

- (1) Invest into projects which would qualify as Eligible Green Projects but were not (yet) allocated. A list of such projects will be updated at least annually as long as there is no final allocation.
- (2) Invest in money market products such as cash, cash equivalents and/or marketable securities.

### **2.4. Reporting**

The Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds. Besides information related to the projects to which Green Bond proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

On an annual basis and until full allocation and later in the case of any material change in the list of Eligible Green Projects until the maturity of the bond, FDE will disclose:

- The total amount of proceeds allocated per Eligible Green category or, when feasible, proceeds allocated per Eligible Green Projects
- The amount of unallocated proceeds
- Climate or environmental benefits: annual ex-ante estimates of impacts based on recognized methodologies that will be publicly available. The main indicator of FDE's positive contribution to the energy transition initiative is the amount of CO<sub>2</sub>eq avoided thanks to its activity. FDE will seek to provide data on an individual project basis but might also choose to aggregate certain classes of projects.

*See Appendix A for more details on the reporting of potential climate benefits indicators.*

### **2.5. External review**

### **2.5.1. Consultant review**

Prior to issuance, FDE has commissioned EthiFinance to obtain an external review of its Green Bond Framework. EthiFinance issued a second opinion confirming the alignment of FDE's Green Bond Framework with the Green Bond Principles and the framework's strong environmental credentials. Under this framework, the issuance of multiple Green Bonds is possible. Prior to issuance of each bond, FDE will disclose for which asset category proceeds are to be used.

*The opinion is available in the Green Bond section of FDE's Investor Relations webpage:*

<https://www.francaisedelenergie.fr/investisseurs>

### **2.5.2. Verification**

FDE will highlight on an annual basis, in its annual report audited by its external auditors, starting at the year-end after the issuance and until the maturity of the Green Bond, the allocation of the bond proceeds to eligible assets.

## Appendix A.

### Impact indicators

FDE will make effort to communicate impact numbers on a full project basis also disclosing, when feasible, the impact numbers derived from FDE's ownership of the projects e.g. total installed capacity vs capacity originated by use of proceeds / share of ownership.

#### **Examples of quantitative impact indicators:**

- installed capacity in MW
- annual generation in MWh
- annual GHG emissions avoided (in tCO<sub>2</sub>e)
- number of renewables generation sites/units

#### **Examples of qualitative impact indicators:**

- alignment with UN Sustainable Developments Goals
- mitigation of negative impact (e.g. biodiversity, noise level)
- management of social aspects of projects